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# LATIN AMERICA: INDUSTRIAL POLICY IN THE CONTEXT OF THE NEW INTERNATIONAL DEVELOPMENT STRATEGY

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CONTENT


| | | Page |
|---|---|---|
| I. | INDUSTRIAL DEVELOPMENT | 1 |
| | 1. The context of industrialization and its prospects | 1 |
| | 2. Trends | 4 |
| | (a) Industrial growth and the dynamic heterogeneity of the countries | 4 |
| | (b) Differing periods | 5 |
| | (c) Structure of industry and diversity of situations | 6 |
| | 3. The role of the State | 7 |
| | (a) Industrial policy | 7 |
| | (b) The State as an entrepreneur | 8 |
| II. | OBJECTIVES AND POLICIES OF INDUSTRIALIZATION | 10 |
| | 1. Historical objectives | 10 |
| | (a) Recapitulation of the industrialization strategy | 10 |
| | (b) Extension of the range of objectives | 10 |
| | (c) The Latin American industrialization model | 10 |
| | (d) Main results | 11 |
| | 2. New objectives | 11 |
| | (a) Industrialization | 11 |
| | (b) Structural correction and technological development | 12 |
| | (c) Correction of intra-regional heterogeneity and co-operation | 12 |
| | (d) Exports of manufactures | 13 |
| | (e) Readjustments of world industry | 13 |
| | (f) Inward-directed development | 14 |
| | (g) Other objectives | 16 |
| | 3. Diversity of countries | 18 |
| | (a) Introduction | 18 |
| | (b) Large countries | 18 |
| | (c) Medium-sized countries | 19 |
| | (d) Small countries | 20 |
| | (e) English-speaking Caribbean countries | 21 |
| III. | ILLUSTRATIVE TARGETS | 24 |
| | 1. Global targets | 24 |
| | 2. Industrial position of Latin America in the world | 24 |
| | 3. Industrial structure and potential | 27 |


/4. Foreign

| | | Page |
|---|---|---|
| | 4. Foreign trade in manufactures ..... | 29 |
| IV. | IMPLEMENTATION OF INDUSTRIAL POLICY ..... | 35 |
| | 1. Intra-regional co-operation ..... | 35 |
| | (a) Need for intra-regional co-operation ..... | 35 |
| | (b) Intra-regional trade in manufactures ..... | 35 |
| | (c) Technological development ..... | 37 |
| | (d) Latin American transnational and multinational corporations ..... | 38 |
| | (e) Agreements ..... | 39 |
| | (f) Collective negotiating power and common positions . | 40 |
| | 2. Ties with the central economies ..... | 41 |
| | (a) World economic reordering ..... | 41 |
| | (b) Trade in manufactures with the centres ..... | 41 |
| | (c) Industrial redeployment ..... | 42 |
| | (d) Technology ..... | 43 |
| | (e) Transnational corporations ..... | 43 |
| | 3. Ties with the rest of the Third World ..... | 44 |
| | 4. Principal national approaches ..... | 45 |
| | (a) Industrial orientation ..... | 45 |
| | (b) Promotion and support ..... | 45 |
| | (c) Entrepreneurial policy ..... | 48 |
| | (d) Technological development ..... | 49 |


/I. INDUSTRIAL

# I. INDUSTRIAL DEVELOPMENT

## 1. The context of industrialization and its prospects

A review of the development of manufacturing in the region reveals the generalized industrial strategy and shows that a number of countries have reached a certain level of industrial maturity and crossed the barrier of the primitive economies with an industry with a critical mass and conditions which strengthen the possibilities of clearing more complex stages towards advanced positions. The analysis also stresses the diversity of situations and trends which distinguish the countries, from the largest and most industrialized to the smallest countries where manufacturing development is incipient. This is important, since the immediate industrial future of the countries will largely depend on certain individual features connected with the economic and industrial structure, the scope of the market, natural resources and domestic socio-economic frontiers.

According to most of the analyses the context of the industrial prospects of the region and the countries may be defined in terms of various elements which should be stressed. Some tend to be connected with external relations, and others with questions mainly of a domestic nature.

As regards external relations, the elements of note include the persistent asymmetry of trade including the disequilibrium in trade in manufactures; the internationalization of the economy and industry with regard to trade, financial flows, technological flows and the activities of the transnational corporations; the slow progress of the formal integration processes, which at times come to a standstill or deteriorate, although intra-regional relations have increased significantly. As the region takes its place in the world economy, it comes up against the protectionist trends of the industrialized market economies and the relatively closed strategy of the regions with centrally planned economies. In this context, account must be taken of the prospects of the New International Economic Order and programmes of collaboration for industrial development such as those laid down in the Lima Declaration and Plan of Action 1/ and that of New Delhi.2/

Noteworthy among the domestic elements, apart from the industrial strategy and the frequent official intentions of accentuating it, are: (a) the persistence in many countries of practically impenetrable internal socio-economic frontiers which, inter alia, restrict the size of the domestic markets; (b) the penetration of these markets from outside,

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1/ Report of the Second General Conference of the United Nations Industrial Development Organizations (ID/CONF.3/31).

2/ Report of the Third General Conference of the United Nations Industrial Development Organization (ID/CONF.4/22).

especially those at the top, in the form of imports of goods or forms of production which are set up with varying levels of local integration, sometimes of a rather weak nature; (c) linked to the foregoing, the predominance, often practically without a counterweight, of the transfer of technology from abroad which is imposed on the local development in question, although Argentina, Brazil and Mexico have developed greater capacity for producing technological know-how in order to adapt or supplement; (d) the substantial degree of industrial diversification achieved above all by the large countries, although the manufacturing sector lags behind in some aspects, particularly in the areas of intermediate goods and particularly capital goods; (e) some inefficiency in manufacturing output, although frequently not generalized, as can be seen from the protectionism of the developed countries with respect to the advantages of the periphery, and usually not attributable to the enterprises but rather to the economy as a whole, including the lack of external economies; and (f) the changes which emerge in the structure of industry depending on the types of enterprises operating in the sector, the active role of the public sector, particularly in basic terms, and the increasing presence of the transnational corporations in manufacturing activities particularly in the most dynamic and technologically top-level industries.

Naturally, the above facts are inherent in most of the countries of the region, although they show a great heterogeneity of trends, situations and potential, as well as political diversity and a tendency to apply different modes of dealing with the progress of development and industrialization.

In any case, industrial prospects are located in the world context which establishes the determining factors and the uncertainties. Some arise out of the probable evolution of the world economy, international trade and technology; others out of entrepreneurial and financial circumstances; and others, of course, more generally out of cultural and political sources.

The international context has set patterns for regional industrialization and will probably continue do so in the future, provided that the delinking policies in search of new horizons or styles of development are not too strict. These patterns, which mainly come from the developed market economies, constitute an interpretative element of primordial importance since they contain a number of elements which associate to make up the actual form of Latin American industrialization, noteworthy among which are those relating to the technological question and the structure of demand for manufactures. As has been said, industry develops to a large extent by assimilating the technology (of products and production) generated in the centres. Demand is structured in accordance with this technology and with the forms of consumption of the centres, particularly of the middle and upper social strata. Thus, the structure of the region's manufacturing output tends to resemble that of the advanced countries, but meets with difficulties in more complex items and delays or lags take place, even in the largest and most industrialized countries.

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Of course, industrial progress does not occur in the same form in all countries. A first analysis enables a distinction to be made between the large countries where manufacturing development reaches higher levels and a greater degree of diversification and technological capacity, the medium-sized countries, in an intermediate position, which meet with difficulties in continuing their industrial progress, in anticipation of the phases of the large countries, when they face the challenge of penetrating more complex fields, and the small countries, which, generally speaking, are to be found on the threshold of industrialization. Some correlation can thus be seen in the regional context between levels of earnings, sizes of markets and industrialization, although with notable exceptions, particularly as regards the provision of natural resources and ease of imports on the basis of primary exports, as in the case of Venezuela which with its oil has been able to reach a relatively high average level of per capita income with a low level of industrialization.

The industrial patterns of the three types of countries are only partly linked to the different phases of the industrialization process, since some local conditioning factors, such as the scope of the market and the greater or lesser wealth or diversification of natural resources, affect the determination of different forms of industrialization, and the establishment of international trade systems which are substantially different particularly as regards exports of manufactures.

Thus, as the large countries reach the highest levels of industrialization and the structure of their industry advances with a high weighting of the most complex and leading industries, such as the metal manufactures and machinery industries (metal products, machinery and equipment) there is a notable step down in this weighting to the medium-sized and small countries. Similarly, in the large countries exports of manufactures have acquired a much larger share in total goods than in the rest, and in them these exports are more diversified in terms of products and markets, with a high quota of more advanced manufactures, such as those of the industries mentioned above, while there is a downswing similar to that mentioned in production.

In the region, most of the differences observed among industrialization and trade models depend on whether the countries are capable of assimilating the technological evolution required by specific scales of production and dispose of critical masses of capital, public or private, required to maintain the development of the basic or spearhead industries. In the centres, external trade supported on the GATT multilateral trade negotiations and the integration systems alleviates the respective restrictions and contributes to achieving or maintaining generally more even levels. In Latin America and the Caribbean, exports of manufactures still account for a relatively small proportion of output, and formal or informal integration still does not produce very significant results in terms of achieving greater homogeneity among the countries. Certain differences even tend to increase sometimes.

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In the industrial patterns of the Latin American countries general economic and socio-political characteristics have a major influence. It should be considered that the evolution of the manufacturing sector is largely induced by domestic demand and that industry in the region accounts for slightly over a quarter of the income generated by the economy as a whole, and fluctuates between 10 and 30% depending on the countries. It should be borne in mind that industrial development constitutes a means rather than an end subject to fundamental and economic and socio-political options. For example, when one speaks of orienting industry towards satisfying the basic needs of the population it is difficult to imagine that the idea can materialize entirely from within the sector on the basis of autonomous actions. At best, industry would accompany the general policies which would affect the direct and indirect demand of the social strata it is wished to benefit, by adjusting its production structure and possibly its costs and prices.

However, neither the influence of external elements nor that of domestic elements can lead it to be thought that the industrial sector lacks areas in which specific manufacturing development policy is relevant. On the contrary, the history of Latin American industry and present plans or programmes show many outstanding examples of specific policies intended to achieve certain objectives although they do not aim at modifying the patterns from abroad nor the domestic economic and socio-political conditioning factors. This is the case, for example, of the development of many basic industries and the efforts at present being made by several countries to develop capital goods-producing industries. All the wealth of instruments mobilized to support and promote industrialization in a general and selective form or to bring about the materialization of certain specific objectives such as exports, decentralization, a better structure of production, improved efficiency, etc., can, of course, be added.

Thus, the factors which will condition the industrial future are linked together at three main levels: that of external relations in all aspects, including the forms - selective or otherwise - of assimilation of the patterns of the advanced countries; that of general economic and socio-political determining factors; and that of the spheres of action of the specific industrial policy. It is obvious that these three levels are not entirely independent, so that in different combinations there would not be many options, at least differentiated in their essential features.

## 2. Trends

### (a) Industrial growth and the dynamic heterogeneity of the countries

During the last three decades, Latin America's manufacturing industry increased its weighting in the region's economy from 20 to 26% (22 to 28% in the large countries, 17 to 20% in the medium-sized countries and 12 to 19% in the small countries) in accordance with average global annual growth rates of 5.5% and annual industrial growth rates of 6.5%, i.e., according to an "industrialization process" of 1.18% (6.5/5.5).3/

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3/ In terms of the gross domestic product at 1970 market prices in US dollars at parity exchange rates.

Industrial growth was, however, very uneven among the countries although in all of them a significant industrialization process took place. In fact, the calculation of the region's industrial dynamic is strongly influenced by the rapid growth of manufacturing in Brazil (an annual rate of 8.4%) and Mexico (7.2% annually), which together raised their industrial weighting in Latin America from 42% to 63%. Excluding these two countries, the rate of industrial growth of the rest of the region dropped to an annual 4.9% or to 5.7% with the additional exclusion of Argentina, whose average rate of industrial growth was slow during the last three decades (4.0% annually), reducing its share in the region from 31% to 15%.

In brief, the industrial weighting of the three major countries as a group rose from 73 to 78% according to an annual rate of manufacturing growth for the group of 6.7%; the weighting of the medium-sized countries dropped from 21 to 16% in accordance with a rate of 5.5%; and that of the small countries practically remained stable: 5.6% in 1950 and 5.5% in 1980, in accordance with an annual rate of 6.4%.

(b) Differing periods

Another problem that influences the assessment of the industrial dynamic of the region is the diversity of the periods which belong to the long-term Generally speaking, three clearly characterized periods can be distinguished: 1950-1965, 1965-1974 and 1974-1980, during which the respective average annual rates of industrial growth in the region were 6.3, and 8 and 4.5%, corresponding to global annual rates of economic growth of 5.2, 6.6 and 4.8%, which signified industrialization processes of 1.21 during the first two periods and a process of "de-industrialization" of 0.94 during the third.

The first period (1950-1965) was characterized by a moderate rate of economic growth but within a pattern of rapid industrialization which above all was aimed at the home markets. In this way manufacturing became a dynamic sector which allowed the regional economy to face up to adverse conditions in the external sector after the Korean War. Exports and imports grew slowly, the terms of trade deteriorated and both the capacity for external indebtedness and the availability of financing were relatively low.

During the next period (1965-1974) the rates of economic and industrial growth speeded up noticeably, according to relative efforts at industrialization similar to those of the previous period. The increase in tempo was very noticeable in countries like Brazil, but also in Argentina, Mexico and in most of the other countries of the region. This phenomenon may be attributed both to the internal aspects of government policies and to the external aspects, linked to the growth of the economy and world trade, the improvement of the terms of trade and the availability of external financing.

An outstanding characteristic of the second period is the sharp growth of exports of manufactures (20.2% annually at constant prices between 1962 and 1973), particularly by the three largest countries, a

/growth based

growth based on the earlier industrialization process in combination with policies of promotion and stimulus; active international demand; the increase in the prices of manufactures which was the cause of competitiveness; the integration agreements, and the operation of transnational corporations as export agents. Another of the characteristics of that period was precisely the growing presence of these corporations in the region's industry, which accounted for 30% or more of manufacturing output in some countries with predominance in the most dynamic sectors (mainly chemicals and metal manufactures and machinery).

The third period (1974-1980) is characterized by a sharp drop in the rates of economic growth, and particularly industrial growth which exceptionally was below the other: 4.8 and 4.5%, respectively. International events as regards the increase in oil prices and the crisis of the developed market economies were no doubt of influence here, but also certain domestic political events in some countries. In 1975 the global rate dropped sharply to 2.8% and the industrial rate to 1.4% (in three or four countries the economic level and industrial output declined) and after some fluctuations, in 1979 the regional dynamic and the industrialization process recovered their rates with an increase of 6.5% in the global product and a growth rate of 7.6% in industry, although in 1980, according to preliminary information, these rates once again dropped (5.3 and 4.7%, respectively).

(c) Structure of industry and diversity of situations

At the same time as industrialization substantially increased the relative weight of industry in the region's gross domestic product, deep-seated structural changes took place in the manufacturing sector. The result of these was that the output of the industries producing metal products, machinery and equipment (mainly consumer durables and capital goods) grew notably as did also, although to a lesser extent, the relative share of the chemicals, petroleum products, rubber and plastic, and the basic metals industries. All these were dynamic industries which developed in keeping with the course of demand and the incorporation of technological progress, largely supported on the policy to improve and complete the structure of production. On the contrary, the industries manufacturing non-durable-consumer goods notably reduced their weighting in accordance with a vegetative growth resulting from the typical course of demand and the fact that they had largely been developed previously, and the persistence of the socio-economic limits which restricted the domestic markets. The same thing happened, to a lesser extent, with the group of industries producing timber, paper and non-metallic mineral products.

These structural modifications were generally speaking to be found in similar circumstances in the large, medium and small countries. However, the present situation is very different among these three groups of countries. Only in the large countries have the industries producing metal products, machinery and equipment achieved a significant weighting of around 30% of the manufacturing product. In the medium-sized countries it is less than 20% and in the small countries less than 10%. The reverse is the case with the industries producing non-durable consumer goods where

/the weighting

the weighting is around 35% in the large countries, 50% in the medium-sized countries and 65% in the small countries. These are industries which were developed much further back in time (traditional) and widely disseminated in the region, which means that their complexity and their requirements in terms of technology, scales, markets and capital are much smaller. The range of basic industries is very wide in the big countries and gaps are to be found both in the medium-sized countries and in aluminium and petrochemicals. In the small countries only cement and petroleum products are to be found and exceptionally other industries. This fact is, of course, influenced by the provision of natural resources but also by the size of the market, which means that the scale requirements are generally large and sometimes production links are required which are only to be found in more complete industrial structures, unless they are predominantly export-oriented (as in the case of aluminium oxide in the Caribbean). Similarly, the critical masses of capital required are much larger in many of these basic items, the development of which usually shows up serious requirements in terms of infrastructure and external economies in general. Moreover, the integration processes, which contain aims relating to these developments, have not been sufficiently effective.

Not even in the largest and most industrialized countries has the structure of industry achieved the characteristics it possesses in the mature economies, individually or in groups of countries with a high level of mutual trade, in systems of intersectoral specialization. The problem basically involves the vertical links of production within industry or between industry and other economic activities, this being connected with the delay in the output of intermediate and capital goods. This phenomenon largely stems from the technological dependence which implies a need to import goods of this kind which bring the innovations of the centres incorporated in them, as may be seen to some extent from analysing the origin of Latin American imports of manufactures and metal and machinery products, of which about 90% of the former and 95% of the latter come from developed countries.

## 3. The role of the State

### (a) Industrial policy

During the last thirty years, the State has played a fundamental role in the economic development of the majority of the Latin American countries, and very particularly in their industrialization processes.

During this period, progressive and increasingly deliberate government action to support industry could be observed. However, at first this support does not seem to have been the main objective of the government policies which benefited the sector. Protectionist measures which gave clear advantages to industry and constituted an important stimulus for its development were frequently adopted in accordance with the performance of the external sector, their main aim being to contain the disequilibrium of the balance of payments.

/Throughout the

Throughout the 1950s in the majority of the countries "rationalization" was applied to the industrialization which was "unintentionally" being developed in the economy of each country. Industrial development then came to be a deliberate objective of the economic policy of many Latin American governments. Protectionist measures were institutionalized and supplemented by other measures involving exchange, tariffs, credit, taxes, etc., by means of which the State promoted and guided the industrialization process in the countries of the region.

At the same time the State had come to play new and decisive role which covered a much broader range of activities than those that it had implemented until then, for which reason more diversified and complex political and administrative structures had to be created in nearly all the countries. The progressive adoption of planning techniques as an economic policy instrument also contributed to increasing State participation in the economic progress of the majority of the countries of the region.

It was in this situation of strong government influence on the economy that the industrial sector in Latin America developed during the last 30 years, being precisely one of the sectors which received major official support to a greater or lesser extent depending on the countries. This support was mainly effected through specific industrial promotion policies, but also through the implementation of infrastructure works required for the development of the sector, productive activities engaged in by the State, the operation of government industrial development and financing bodies, and other measures of stimulus such as the orientation of the procurement policies of the government and State enterprises towards the acquisition on a preferential basis of nationally-produced manufactures.

It should, however, be said that in recent years a notable drop in State intervention in the economy has been seen in some countries of the region, together with the cessation of State action to promote industrial activity, as a consequence of the application of economic doctrines based on the free play of the forces of the market and on openness to the exterior.

(b) The State as an entrepreneur

The role of the State as a direct participant in the industrialization process in an entrepreneurial capacity has also taken on some importance, although this participation may seem to be of little significance in the total production of each country, save in exceptional cases. Generally speaking, State participation has particularly been concentrated in the basic industries, such as iron and steel, oil-refining and petrochemicals.

In 1978, State iron and steel industries produced steel in quantities amounting to 69% of total output in Argentina, 60% of output in Mexico and Brazil, nearly 100% of output in Chile, 100% in Peru and 80% in Venezuela. The share of State enterprises in oil-refining is also outstanding. In countries like Bolivia, Colombia, Cuba, Chile, Mexico, Uruguay and practically also in Brazil, 100% of oil refining is the responsibility

/of State

of State enterprises. In the processing of chemicals and petrochemicals, the contribution of these enterprises is also very important in several countries of the region. In Argentina and particularly in Brazil and Mexico there are large State enterprises which process basic products of these industries and in countries of the Andean Pact, such as Colombia, Peru and Venezuela, all the enterprises which process basic petrochemicals are State-owned, while the share of the State in the manufacture of other non-basic products in this branch of industry is also important.

In the early stages of the development process the State assumed the role of entrepreneur in the field of the basic industries as a form of initiating local production of goods considered to be essential for speeding up economic development, apart from other possible motivations. The volume of the resources required to implement projects of this type determined that, generally speaking, only state or foreign enterprises could tackle them and for some time the latter showed little interest in investing in activities which did not seem to offer immediate or sufficiently attractive profits.

In more recent years, State participation in the basic industries frequently corresponded to a government conviction that this constituted a form of increasing national decision-making power in the industrial sector and of permitting more autonomous development. During the last decade norms were dictated in several countries to define the areas of action of the public and private sectors in some branches of industry such as petrochemicals and the iron and steel industry, while the State reserved for itself the manufacture of the basic products. It is also probable that the areas mentioned have been delimited for reasons of national security, so as to increase State control of activities considered to be "strategic".

There is also a relatively large number of industrial enterprises belonging to the most diverse manufacturing activities, the creation or acquisition of which by the State tended to respond to generally conjunctural factors of an economic, social or political nature.

## II. OBJECTIVES AND POLICIES OF INDUSTRIALIZATION

### 1. Historical objectives

#### (a) Recapitulation of the industrialization strategy

As may be seen from the foregoing pages and as has been established in many studies the development policy of the majority of the Latin American countries has upheld industrialization as one of the driving forces of economic growth. This phenomenon is not only to be seen in a prior analysis of trends, but is also expressed clearly in the review of government policies linked to the handling of instruments of support and promotion, institutional arrangements, and the entrepreneurial role of the State in basic sectors. Naturally, the fact is confirmed in the plans and programmes recently formulated by many governments of the region, and in the conceptual bases of the integration agreements and the official proposals formulated in international forums which seek co-operation for development and industrialization.

#### (b) Extension of the range of objectives

As the industrialization process advanced, the range of its objectives opened out, with different results in the large, medium and small countries, although, generally speaking the results reported coincided basically. From the early stages in which handcrafts and the incipient manufacturing strata combined with industrial activities linked to the primary and services sectors and the export of raw materials and food, industrial development aimed at domestic markets was strengthened, until the respective restrictions inspired ideas on integration, which were subsequently surpassed by aspirations of exporting manufactures to the world. The enrichment of objectives can also be seen in considering the attention which was first given to the traditional industries, and to the basic industries and then to the more complex industries producing consumer durables, intermediate goods and capital goods. However, in recent years, in the southern cone policies of openness to the exterior and liberalization of the market have begun to be developed, and tend to keep the State away from promotion and enterprises and to leave the industrial objectives to the mercy of the comparative advantages and the free forces of the market.

#### (c) The Latin American industrialization model

Latin American industry thus succeeded in placing itself in an intermediate position in the world and the three major countries entered the semi-industrialized category. Despite the immense heterogeneity of situations in the different types of countries the process followed what could be called the "Latin American industrialization model", the essential characteristics of which include: (i) the growing heterogeneity typical of the countries; (ii) technological dependence; (iii) the urgent need to absorb the technological progress of the centres, particularly in consumption; (iv) the consequent backwardness in certain industries, particularly intermediate and capital goods; (v) the large coefficients

/of imports

of imports of manufactures, mainly from the centres; (vi) the low coefficients of exports of industrial products; (vii) the asymmetrical external trade with the centres; (viii) weakness in integration; (ix) the loss of importance of national private enterprises and the growing presence of the transnational corporations, particularly in the most dynamic items and those of the greatest technical complexity, while the State prefers to constitute itself as an entrepreneur in the basic groups; (x) the strong propensity to import and low level of export activity of the transnational corporations, although their share in exports of manufactures is already significant as is intra-firm trade; (xi) the tendency towards geographical concentration (sometimes with serious effects on the environment) in large establishments and enterprises in oligopolistic positions; (xii) the dynamic largely based on the promotion of consumption (publicity, financing) in accordance with a competition which tends to be based on new or apparently new products, rather than on costs and prices, and (xiii) the limited social coverage of employment and the orientation of production in the context of socio-economic limits which restrict the domestic markets.

(d) Main results

As is logical, these characteristics are mingled and often explain each other so that the "model" is clearly defined and may be considered to be the result of an implicit strategy stemming from general natural, economic and socio-political conditioning factors. Its main achievements are in line with implicit and explicit objectives, including the attraction of technological progress, the acquisition of greater dynamism and the generation of a minimum level of autonomy to reduce external vulnerability, the preparation of industry - and the corresponding human skills - according to a process which brings it progressively into a situation to opt for increasingly advanced positions and to increase the range of objectives. However, there are of course some adverse or weak aspects which must precisely be considered in the design of future industrial policies, although some correspond to the field of general decisions, like those inherent in the removal of internal socio-economic limits and the orientation of industry towards broader social levels. These same policies should furthermore consider the new trends in the world economy, the internationalization of which can be seen in Latin America's own diagnosis.

## 2. New objectives

### (a) Industrialization

In fact, it is not easy to establish new or entirely new objectives for industrialization in itself, since, as has been said, their range has been growing notably and the aims put forward, although they have not always materialized, have covered nearly all industrial questions.

The root of the matter seems to be rather in the stress on some weaknesses of the process and of the situation achieved, and in the insistence on aspects which directly affect these weaknesses.

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In any case, industrialization should continue to appear as a main factor of development according to world experience and very well-known arguments. The first element of importance of this proposal is that the manufacturing sector would have to grow more rapidly than the economy as a whole, thus recovering its dynamic role of the past. But, as is established below in terms of illustrative goals, the aspiration is for manufacturing to set a considerably more active pace than in any period of the last few decades in keeping with a rapid global growth of the economy.

As was recalled earlier, Latin America's industrial growth has been strongly influenced by the dynamics of Brazil and Mexico and corresponds to the pattern of great heterogeneity among countries. As regards this problem there is a need for the ambitious industrial goals to follow the same mould in all countries, and even more for the heterogeneity of the respective situations to tend to diminish in line with a more homogeneous pattern of industrialization.

(b) Structural correction and technological development

The rapid growth and the trend towards a greater homogeneity has several fairly serious consequences. The first is that industrialization would require greater depth than in the past. This essentially means that the structure of industry should be improved in the sense of increasing inter-industrial relations and relations between this sector and the rest; this means that the policies intended to correct the "uneven" growth which delays the development of intermediate and capital goods, which in turn runs counter to the dynamic capacity of industry and the economy and the generation of indirect jobs, acquire great relevance.

This correction would require the definition of technological policies of various types. One type of policy involves some selectivity in the absorption of the technological progress of the centres, particularly when it comes incorporated in intermediate and capital goods. Another is to shorten the periods within which internationalization becomes the production of the respective goods. A third involves the growth of the efforts of scientific and technological development according to priorities which correspond to specific problems or objectives, of transcendental importance according to criteria of some specialization. Fourthly, there is a need for machinery to restrict the great tendency to import on the part of the transnational corporations in addition to the need to encourage national enterprises or multinational Latin American enterprises.

(c) Correction of intra-regional heterogeneity and co-operation

As regards the correction of the heterogeneity of the countries, the most serious involvement corresponds to intra-regional co-operation since, for the majority of the countries, if not for all, this form of industrialization in greater depth is not viable at the national level in restricted markets. At this point all the concepts which have inspired the integration agreements, which are the more pressing the smaller the economic size of the countries, once again emerge forcefully.

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Obviously, it is impossible to consider national industrial autarchies in this form or at the regional level, which leads to reflection as to the specialization and growth of intra-regional trade.

Thus, industrialization in greater depth is indissolubly linked to integration, regional co-operation and reciprocal trade in intra-sectoral specialization.

(d) Exports of manufactures

The Latin American development model is extrapolated towards the future in various aspects, one of which the relatively large-scale tendency to import manufactures from the centres. This pattern seems to be tending to change, since the structural correction of industry reduces the need for such imports, which could take place in intra-regional reciprocal trade schemes. However, although in relative terms the margin seems to be tending to decrease slowly, it will continue to be large, so that policies aimed at balancing the trade with the centres by means of exports of manufactures to them should be considered, in view of the incapacity of primary products to achieve this result.

Thus, exports of manufactures constitute another strategic objective of the intra-regional trade on which the structural correction of industry is based in keeping with the need to rectify the asymmetry of trade with the centres. Here the technological problem re-emerges since trade in manufactures increasingly obeys the need for the technology to be incorporated in the products. Latin America will thus have to enter this competition which characterizes the economic operation of the centres.

However, it should be observed that indigenous technological development is proposed as a long-term objective within fairly specialized limits, so that other elements tending to complete the system of industry and trade in manufactures should be taken into account. In the first place there are the prospects offered by the rest of the Third World in horizontal co-operation schemes. Some countries of the region have already made successful sorties into these markets, frequently from a position of technological intermediation and semi-industrialization. But in any case it is the big central markets which are of most importance; they offered interesting prospects particularly during the boom period which took in most of the 1960s and the early 1970s.

(e) Readjustment of world industry

In this regard it should be considered that certain trends towards the restructuring of the world economy and industrial readjustment in the context of the internationalization of capital and production and new forms of international division of labour may easily be appreciated. According to these trends, specific industries which are losing their competitive aspect in the centres will endeavour to locate themselves on the periphery so as to seek comparative advantages for exporting back to the centres themselves. Obviously, this is a hopeful line although it comes up against the protectionist hardening of the centres and certain other adverse aspects, such as vulnerability and denationalization. In both senses,

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ideas on the New International Economic Order, codes of conduct (transnational enterprises, transfers of technology) and the collaboration of these centres acquire relevance.

In any case this course cannot become the essence of Latin American industrialization, although it would be extremely favourable if it were considered as a stepping-stone to positions of greater industrial advance. This is so among other reasons because several countries of the region possess an industry sufficiently advanced to be able in the medium-term to aspire to positions closer to the industry of the developed countries and collaborate with the relatively less developed countries in their respective aspirations and common interests. More important still is the fact that the readjustment of world industry which has been implied and described to a considerable extent is based on the abundance of cheap labour in the periphery, an "advantage" which cannot constitute a long-term objective. These are often "traditional" industries or industries linked to national resources, the products of which usually have a low-income elasticity of demand and tend to make up a centre-periphery system of trade at a level higher than the present one but containing similar structural germs of disequilibrium and asymmetry. There is also the possibility of technological changes in the centres (for example, electronic processors) which may counter the technological conditions which now make this readjustment possible (transport, communications, dividing-up of processes).

In any case, the readjustment scheme, as been said, may be a dynamic factor in the short- or medium-term which would contribute to solving certain urgent problems (employment, foreign exchange), provided that its aim is to benefit the development of the host countries. Concertation thus constitutes a strategic tool for the adequate guidance and control of the process which would mean a new position for Latin America in the world economy. However, this readjustment, which is sometimes implicit in the concept of industrial redeployment, should cover other industries such as those aimed at improving the structure of the region's manufacturing sector to the benefit of internal dynamics and exchange in more advanced technological positions.

(f) Inward-directed development

As has been stated and will be quantitatively analysed below, exports of manufactures correspond to a strategic objective given the style of development anticipated. However, this is not an essentially outward-directed industrial model; there exists the need for structural improvement, as previously commented, and above all the inescapable need to integrate national markets which are seriously affected by socio-economic limitations, which for industry means proposing objectives of domestic supply, particularly for the social strata which it is sought to benefit.

As regards this latter aspect, it should be borne in mind that the policy of the industrial activation of natural resources and very particularly agriculture is an element which may be decisive in incorporating development and its results into enormous poor or marginated social sectors.

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This is thus another objective which is anticipated as being strategic within the purview of the present decade which will help to outline the course which Latin American industrialization should follow.

The policies to remove internal socio-economic limits would naturally result in increased dynamism in the demand for many industrial non-durable and durable consumer products, such as those for equipping homes and moderately-priced electrodomestic and electronic appliances. Obviously, the effect of these policies would be transmitted to local production in so far as they meet with a response from enterprises in existence or which may be set up, or else in so far as the implementation of the industrial policy is capable of mobilizing them. Generally speaking, there would be no problems of a technological nature in the region as regards the traditional industries, nor in the large countries and some others as regards consumer durables like those mentioned. The least industrialized countries of the region could enter more fully into these groups if the appropriate forms of trade and specialization can be established.

Here it must be borne in mind that this is in-depth industrialization, the requirements of which include the improvement of input-product interrelations at the national, subregional or regional levels depending on the cases. All this implies that the demand for the products mentioned above would have to be transmitted not only to the final output but to other industries producing intermediate manufactures and capital goods, generally of greater technological complexity, many of which require wide markets. Once again, the share of the entire population in demand and reciprocal trade among countries and intra-sectoral specialization take on strategic characteristics from the standpoint of industrial development. Thus, the removal of the socio-economic barriers and the corresponding policy of distribution not only go hand in hand but may come to be concomitant with the strategy aimed at the structural corrections of industry referred to in previous paragraphs.

On the other hand, the distribution policy which serves as a reference for these proposals implies that there will be a tendency to correct, at least in relative terms, the trend towards patterns of consumption which are in advance of the average per capita income and thus the distortion of the structure of industrial production, which frequently responds to a structure of demand which goes along with high income concentration. This trend, as is well known, has contributed to establishing an industrial structure widely scattered in horizontal terms and far less diversified in vertical terms, partly owing to the fact that this dispersion, basically aimed at the middle and upper levels of society, involves scales frequently smaller than those which would enable the corresponding intermediate and capital industries to be developed efficiently.

The correction of these systems would be facilitated to a large extent if rapid economic and industrial growth took place as the basis for the promotion of the growth of the incomes of the most needy social strata. It could thus be concluded that to the industrial dynamic based

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on the markets at the top would be added strong impulses from mass demand corresponding to the distribution policy referred to, the materialization of which depends largely as has been said, on the disposition and capacity of response of the manufacturing enterprises, and the suitability of the instruments of industrial policy for mobilizing them.

(g) Other objectives

(i) Location

Up to this point the central or strategic objectives of industrialization for the near future and their main consequences or requirements in the context of the style of development anticipated have been outlined. However, other aims must be mentioned in connexion with problems stemming from the actual forms of industrial development in recent decades.

One of these aims relates to the trends towards excessive geographical concentration. It is true that in several countries policies aimed at deconcentration have been developed, often also linked to objectives related with the development of backward areas. However, among other forces relating to industrial location, the attraction of the external and infrastructural economies contained in the concept of economies of agglomeration, together with those corresponding to the economies of inter-industrial complementarity and market concentration, has prevented achievements of any great significance. It should also be recognized that the problem rather belongs to the large countries where the deterioration in the environment and the quality of life is affecting some major centres, sometimes almost dramatically - a phenomenon which is also creeping into some medium-sized countries and constitutes a future concern for the least industrialized.

To obviate this problem is not easy since generally speaking the cost for enterprises in locations far from the main centres is too high, particularly for the medium-sized and small enterprises. Thus, the situation constitutes a problem of general development which compromises public resources and the economy as a whole, as well as a protectionist policy and export incentives when it is aimed to subsidize through these activities lacking external economies; this problem is linked to that of inefficiency, which is frequently not entirely attributable to the enterprises. The basic industries and those which are most wind- and water-polluting constitute a particular case, especially in locations and countries (many of them small) with more fragile ecologies.

All these problems are of course universal: however, it is obvious that in Latin America they are acquiring increasingly more alarming features as the industrialization process advances and thus affects some of the more industrialized countries to a greater extent. In the future, therefore, adequate measures should be taken to correct situations (for example, as regards highly polluting industries situated in major urban centres) and to take precautions for the future course of the concentration process by seeking more suitable locations and appropriate techniques.

/(ii) Energy

(ii) Energy

Another problem which it is necessary to anticipate is that of energy, both as regards techniques of production and efficiency, and as regards products whose use signifies a greater or lesser consumption of energy (types of automobile, for example) or energy of different origins. This question is, of course, linked to the use of local sources of energy and also the development of non-conventional sources. It is true that in some countries within the region policies on these subjects are being handled and perhaps for the region as a whole the problem in question is less serious than in other regions, although it is notably serious for certain countries.

However, it must be reflected that the influence of the patterns of the centres, including the almost unrestricted technological dependence, a fact which to date corresponds to the Latin American style of development, does not favour energy-saving, which generally speaking has been absent from these patterns. For this reason, technological development in the diverse forms mentioned above and some selectivity in the hasty absorption of the patterns mentioned is once again becoming relevant, since the goals of more rapid industrialization could lead to an exacerbation of the energy problem.

The essence of the problem lies in the fact that the technological patterns transmitted to Latin America - and the region's own style of development - were generated under the aegis of the very low prices of hydrocarbons and the underlying idea of their abundance and inexhaustibility, owing to which the use of petroleum-derived fuels was intensified and there was some carelessness as regards efficiency in their use. Where industry is concerned, there is also the relatively low incidence of energy in the production costs of the majority of manufacturing activities. The rise in oil prices burst on this situation and the entire system reached a crisis and came under revision. Thus, the energy variable became a technological challenge, both for industrial output and for the design of the final products placed on the market, and for the modes or styles of economic and social development.

(iii) Employment

One of the problems pending in Latin American development is that of unemployment and underemployment. It was considered in this regard that industrialization would play an important role. However, the forms in which it has arisen have not been very propitious and industry has not much increased its weighting in the employment of the labour force - it does not amount to 20%, and in many countries, including the most industrialized, it is considerably lower.

It can, however, be expected that the stress on the "new objectives" of industrialization will allow industry to play a more active role in employment. In direct terms this will be achieved if the development of small-scale industries is supported in areas in which it is technologically efficient, for example, in small sections of the markets in specialized

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items or in activities connected with inputs for major or terminal industries. These objectives can also be achieved if advantage is taken of the opportunities offered by the world readjustment of industry in so far as it affects labour-intensive manufacturing activities, and in the last instance, if policies aimed at the consumption of the social strata which today are poor or marginated are implemented. The technological readjustment could also contribute in this regard. In ind ct terms, vertical industrial improvement (production of inputs and capital goods) and a closer link between industry and primary activities and the processing of raw materials and foodstuffs whether for export or not, would promote employment in general, as would policies aimed at stimulating backward areas which induce industry to assume an active role when it is linked with the basic economy by vertical input-product connexions.

## 3. Diversity of countries

### (a) Introduction

Up to this point the general objectives of industrialization inherent in the region as a whole have been put forward; however, the heterogeneity of the countries should be taken into account as regards general characteristics, situations achieved and potential. In this regard it has already been observed that industrialization is a generalized objective in the region, but that in order to reach higher stages intra-regional integration and co-operation are increasingly important elements particularly when the home market is a small one. This is an old question raised by modern industrial development which was the inspiration for serious integration agreements in the centres. Few countries were able to follow postwar industrialization, which was characterized by rapid technological progress and an expeditious international trade in manufactures, particularly reciprocal trade within the integration groups, which provided an opening for the most advanced industry in enormous markets.

However, it is not necessary to argue further on such matters of recognized importance. One should rather ask oneself what aspects will differentiate industrialization in the different countries of the region.

### (b) Large countries

No doubt, as has been the case in the past, industrialization in the large countries of Latin America can opt for more diversified objectives and more complete industrial structures, not only because of the existence of a broader home market but also because they generally have a more diversified stock of natural resources, while they also have better possibilities of stocking the critical masses of capital required for numerous industrial projects which require major investments. It is true that this matter may be dealt with, as has been the case to some extent in the recent past, by bringing in the transnational corporations, although these have preferably tended to locate themselves in the large countries in leading sectors and have not always contributed fresh capital. The problem of financing the infrastructure remains, and on more than one occasion has prevented the installation of important industries in the smaller countries.

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In the big countries too the diversification of exports of manufactures could continue to increase, although some prospective studies indicate that their export coefficients will not need to be very high; these exports would thus be less of a "driving force" for industrialization than in the medium-sized and small countries and would rather constitute an instrument of external equilibrium and development of industries with very large-scale requirements, for which the regional market offers the best prospects.

(c) Medium-sized countries

The medium-sized countries have already met with difficulties in continuing their industrialization processes so that they have lost ground as regards the regional level and are growing increasingly further away from the large countries and much further still from the industrial horizon of the mature economies. They are faced with very important industrial challenges which to a large extent they can only tackle with extended markets in integration, regional co-operation and more active external trade, and higher coefficients in exports of manufactures, since these would play a more relevant dynamic role.

At the national level, of course, industrial specialization would have to be greater than in the large countries, but within the integration systems and the schemes for intra-regional trade in manufactures industry in the medium-sized countries could be part of international structures which would ensure the dynamic capacity of the technological interrelations of the production processes. This would therefore be a type of intra-sectoral specialization which would include items of a high technological level taking in intermediate and capital goods. If this is so, the national scales would not constitute an impediment to bringing their industrial structures to resemble those of the large countries, although it may be the case that metal products, machinery and equipment, for example, might not reach the relative weight which the larger countries can opt for. This would reproduce the pattern which characterizes the developed countries of Europe, the smallest of which have achieved a 36% share of this group and the largest over 40%, as part of the great integration groupings. The effort in this regard would still have to be considerable since current figures amount to only 17% in the group of medium-sized countries in the region and 28% in the large countries.

In any case, the compensations would have to be sought in other industrial items, such as those in which comparative advantages exist, often linked to the natural resources the industrial processing of which is a generalized objective for the developing countries and is frequently (mainly for mineral products) linked to ideas of redeployment and the NIEO. However, enclaves in these items should be avoided so as to transmit the dynamic effects to the rest of the economy by means of the manufacture of inputs and capital goods required for the operation of the primary and industrial activities in question. Obviously, this system could only become effectively viable in the context of integration agreements and expanded markets; for example, in groups of mining countries, such as the members of the Andean Group, although there is the option of other markets in the region and the rest of the Third World or others. However, it should

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be borne in mind that many of the raw materials which could be adapted to these patterns are subject to demands which are not very active in the international markets and are sometimes very fluctuating. Thus, although the system would have considerable economic importance, it can hardly constitute the sole key element of industrialization.

(d) Small countries

For the small countries industrialization is still more difficult to continue if it does not take place within the context of the integration and co-operation agreements. As a whole, these are countries with a low level of industrialization and an average per capita income around half that of the large and medium-sized nations. Exceptions are Costa Rica, with a relatively high level of industrialization and a per capita income similar to that of the large and medium-sized countries, and Panama, although this country has a low level of industrialization owing to its involvement in the services connected with the Canal. The high figures show that they are countries where industrialization is essential if social welfare is to be increased; however, in isolation it is difficult and may constitute too heavy a burden.

The Central American Common Market (CACM) shows in its experience up to the end of the 1960s how association in an expanded market permitted a fairly fluid industrial development and rapid economic growth which dropped notably when the agreement reached its crisis. However, this experience shows that even CACM is on the small side to opt for a more advanced industrial structure, since when an effort was made to develop the "integration industries" (the most advanced and basic industries), the agreement practically came to a standstill or advanced very little.

Thus it proves obvious that the small countries should associate with the medium-sized and large countries in order to opt for more advanced industrial positions; this would be even more urgent for those which are geographically scattered such as the small countries of the Andean Group and others belonging to ALADI and the Caribbean.

It is obvious that the small countries should consolidate the industrial "models" which to date have been characteristic of them (predominance of traditional groups of non-durable consumer goods) by stressing the industrialization of natural resources, particularly of agricultural raw materials and foodstuffs, since there is still a long way to go in this regard. However, they would have to break out more decisively into basic industries and inputs, and metal products and machinery of greater technological complexity and greater dynamism in international trade, within the integration groupings.

It is also obvious that at the national level specialization would have to be stressed more, these being more complex industries with larger scale requirements, all on the basis of an external trade with high coefficients according to which exports of manufactures would play a motor role of much greater importance than in the larger countries.

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Similarly, for these countries co-operation and assistance requirements would be of great relevance since with a fairly incipient manufacturing base they are less prepared than others to undertake the changes in industry which will allow them to take part in dynamic structures of an international level. For the small countries, this situation of incipient industrialization means the possibility of initiating or reinitiating rapid growth in manufacturing even in relatively simple activities. However, this stage must be passed in the medium-term and during that time the bases prepared for more complex stages.

At this point it sould be borne in mind that in many small countries there is little diversity of natural resources and often the resources are poor. The basic industries based on resources like minerals will not have much future in a number of countries. However, whatever the case, care will have to be taken with the rational use of space, particularly in those countries with delicate ecologies. As has already been said, this is a concern which should be anticipated.

The model of high indexes of trade in manufactures shows some features to which attention should be paid. Exports as the driving force of development may lead to conditions of great external vulnerability, particularly considering the specialization and the low level of individual bargaining power of the small countries. This is another reason for insisting that these countries should associate with each other or with the large and medium-sized nations of the region in formal systems which will enjoy a minimum of stability and continuity in general and industrial development.

As has already been said, if for all the countries of the region it is important to orient adequately the possible industrial projects originating from the world readjustment of manufacturing and redeployment, it is even more urgent for the small countries. It should be recalled for example, that the light subcontracting industries are usually described as "flying" industries or industries "on wheels" because their mobility is very great owing to the fact that frequently the fixed investments are small. As has been seen in more than one case, a small country in which these activities constitute too large a fraction of industry would be subject to the fluctuations of the demand of the centres and the caprices of the respective enterprises. In any case, as for all the region, the readjustment and redeployment should be considered as transitory instruments towards stages of industrialization in greater depth.

(e) English-speaking Caribbean countries

The numerous English-speaking Caribbean countries constitute a very special case among the small countries of the region. Firstly, their small demographic and economic size is exceptional. The population of only one of them, Jamaica, reaches or slightly exceeds that of the demographically smallest Latin American countries, Costa Rica and Panama, and the rest account for fractions of these which are sometimes minute. Also, only two, Jamaica and Trinidad and Tobago, approach or slightly exceed the economic size of the economically smallest countries of Latin America (apart from

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Haiti) - Honduras, Nicaragua and Paraguay. Naturally, only Trinidad and Tobago shows a relatively noteworthy degree of industrialization (24%), owing to the important oil industry, but with little industrial diversification. Of the others, at most some resemble the least industrialized countries of Latin America in this regard and also in their system which lack diversification.

However, the average per capita income is usually relatively high compared with the Latin American countries. Notable among these are the Bahamas, Trinidad and Tobago, Barbados and Jamaica, in that order. The other countries are to be found at considerably lower levels, although frequently comparable with those of the least developed Latin American countries.

The domestic markets are thus extremely small, apart from the fact that the unequal distribution of income and unemployment constitutes barriers which restrict them even further. In the circumstances and leaving aside reasons of a historical nature, these countries have not stimulated industrial policies, except for the development of very incipient activities or industries of a particular nature such as oil, alumina, cement and some others, sometimes linked to specific natural resources. However, as far as the future is concerned the challenge has emerged of transforming these economies, and in this process industry would have a more important role to play in pursuit of development and the growth of autonomy.

Altogether, the countries in question conform a demographic dimension and an economic coverage of some importance, which exceeds that of many Latin American countries, but does not amount to that of the Central American Common Market in any of these aspects. Thus, the association between these countries is of great importance for industrialization, although as a whole it is inadequate to opt for very advanced situations, apart from the fact that the markets are geographically dispersed in island situations. For this reason, the problem of industry requires proposals of a rather different nature from those which are usual in Latin America, in the context of the concepts inherent to small countries, although many of these concepts are entirely valid for the Caribbean.

Various premises are involved in the analysis of what the Caribbean's industrial policy could be. The first is that in small scattered markets industrialization towards external markets shows limitations which are easy to envisage, even within the context of a strictly Caribbean association. The second, which in part derives from the first, is that the development scheme would have to be characterized by high indexes of external trade far beyond the reciprocal trade which could be established on the basis of industrialization. The third premise consists of the fact that in the majority of the countries in question one or very few activities or important enterprises can transform the economy and become factors of economic, social and even political domination. The fourth premise is that, is taking account of the need for high indexes of trade with the rest of the world and serious needs for co-operation from advanced countries, it is of strategic importance to increase the bargaining which

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at the national level is obviously weak; similarly, the diversification of the external markets is of extreme importance. Lastly, this system is associated with the dangers of external vulnerability and excessive dependence on foreign economic events, and the goodwill of the transnational corporations which have participated or could participate in this industrialization. On the basis of these considerations some features and objectives of an efficient industrial policy may be established.

Firstly, it should be noted that the Caribbean market and its respective bargaining power is growing within the CDCC in which larger countries participate. In any case, the only market in the English-speaking Caribbean offers industrial prospects which have still not been developed, which could be made actively feasible as part of a process of integration and removal of local socio-economic barriers.

Although the natural resources are not particularly abundant or diversified, they would merit attention, as would also agricultural resources, for their industrial value. The same line of thought could include tourism which offers definite industrial possibilities in terms of the supply of large variety of inputs.

In this same line of thinking, the readjustment and redeployment of industry could benefit the Caribbean on the basis of its relatively abundant labour and privileged geographical position for access to the central markets. However, it is necessary to avoid the promotion of purely enclave economies, the benefits of which are known to be limited. Stress should rather be placed on setting up technological links between the intra- and extra-industrial processes of production, even if it were in the limited form offered by the small markets, something which could be obviated in agreements with a wider international coverage in order to generate a more active intra-industrial trade with respect to some specializations in more advanced industries of greater flexibility in international trade.

## III. ILLUSTRATIVE TARGETS

### 1. Global targets

As mentioned earlier, the development strategy of Latin America will continue to be one of industrialization in the foreseeable long term, i.e., to the year 2000. This is suggested by the projections made by the CEPAL secretariat indicating that the manufacturing sector should have a higher growth rate than the economy as a whole, according to the calculations made for illustrative targets in a "normative scenario", separating the countries into three groups - large, medium-sized and small (see table 1). This procedure makes it possible to examine the consequences of economic growth at more rapid rates than in the past in the framework of objectives relating to equitable income distribution and greater social welfare of the entire population.4/

Thus, in all cases an industrialization process was projected which, on average, for the region as a whole between 1980 and 2000, amounts to 1.16 (quotient of manufacturing and total rates). However, for the large countries which are already more industrialized, this quotient would be only about 1.12, as against 1.26 for the medium-sized and small countries which need to become more industrialized and make up for their relative backwardness. The weight of the manufacturing sector in the regional economy and in each of the three groups of countries would thus increase. Industry would therefore continue to play an overriding dynamic role. Nevertheless, due to the foreseeable rise in the productivity of labour in manufacturing industry will not greatly increase its share of total employment, and services will bear primary responsibility for supplying jobs. By the year 2000, industry may account for about 20% of total employment, and services for over 50%.

### 2. Industrial position of Latin America in the world

At the Latin American Industrialization Conference held in Mexico City in November 1974, the Governments of the region agreed to place on record their aspiration of raising the region's share of world manufacturing industry to at least 13.5% in the year 2000, as against 5% at present (see table 2). Naturally, this target must be evaluated bearing in mind the industrial outlook for the world and for Latin America, so that a number of prospective scenarios must be used, as may be seen in table 2.

First, it should be noted that in the scenario of long-term industrial growth trends for the world excluding Latin America (5.8% annually) the secretariat's normative scenario gives the region a bare 8.4% share of world manufacturing industry by the year 2000. In order to reach 13.5%, the Latin American industrial growth rate would have to attain an average

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4/ CEPAL, Latin American development in the 1980s (E/CEPAL/G.1150).

/Table 1

Table 1

LATIN AMERICA: ECONOMIC AND MANUFACTURING GROWTH PROJECTED TO 1985, 1990 AND 2000, IN A NORMATIVE SCENARIO

| Country | Annual growth rates (compound annual percentages) | | | | Degree of industrialization a/ | | | |
|---|---|---|---|---|---|---|---|---|
| | 1980-1985 | 1985-1990 | 1990-2000 | 1980-2000 | 1980 | 1985 | 1990 | 2000 |
| Latin America (19 countries) | | | | | | | | |
| Total gross domestic product | 7.1 | 7.5 | 7.9 | 7.6 | | | | |
| Manufacturing product | 8.4 | 8.7 | 9.0 | 8.8 | 28 | 30 | 31 | 34 |
| Large countries b/ | | | | | | | | |
| Total gross domestic product | 7.3 | 7.5 | 7.9 | 7.7 | | | | |
| Manufacturing product | 8.4 | 8.5 | 8.8 | 8.6 | 31 | 33 | 34 | 37 |
| Medium-sized countries c/ | | | | | | | | |
| Total gross domestic product | 6.6 | 7.3 | 7.9 | 7.4 | | | | |
| Manufacturing product | 8.4 | 9.2 | 9.7 | 9.3 | 20 | 22 | 24 | 28 |
| Small countries d/ | | | | | | | | |
| Total gross domestic product | 6.6 | 7.2 | 7.8 | 7.3 | | | | |
| Manufacturing product | 8.5 | 9.1 | 9.6 | 9.2 | 18 | 20 | 22 | 26 |

Source: CEPAL, Proyecciones del desarrollo latinoamericano en los años 80 (E/CEPAL/G.1158).

a/ The illustrative projections are made on the basis of the gross domestic product at factor cost in 1975 dollars and at the import exchange rate, which is why the results for the degree of industrialization (manufacturing product as a percentage of total product) do not fully coincide with other figures for 1980 given in the text (see chapter one), where the product is calculated at 1970 market prices in dollars at the parity exchange rate.

b/ Argentina, Brazil and Mexico.

c/ Colombia, Chile, Peru and Venezuela.

d/ Bolivia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Nicaragua, Panama, Paraguay, Dominican Republic and Uruguay.

/Table 2

Table 2

LATIN AMERICA AND THE CARIBBEAN: INDUSTRIAL POSITION IN THE WORLD a/ BY THE YEAR 2000

| Scenarios: Industrial growth rate 1980-2000 (compound annual percentages) | | Industrial gross domestic product b/ (billions of 1970 dollars) | | | Latin American and Caribbean industry in world (percentages) |
|---|---|---|---|---|---|
| World, excluding Latin America and the Caribbean | Latin America and the Caribbean | World, excluding Latin America and the Caribbean | Latin America and the Caribbean | World | |
| | | 1977 c/ | | | |
| | | 1 192 | 60 | 1 252 | 4.8 |
| | | 1980 d/ | | | |
| | | 1 348 | 71 | 1 419 | 5.0 |
| | | 2000 | | | |
| 5.8e/ | 8.8f/ | 4 164 | 380 | 4 544 | 8.4 |
| | 11.7g/ | | 650 | 4 814 | 13.5 |
| 5.0 | 8.8 | 3 577 | 380 | 3 957 | 9.6 |
| | 10.9g/ | | 558 | 4 135 | 13.5 |
| 4.5 | 8.8 | 3 251 | 380 | 3 631 | 10.5 |
| | 10.3g/ | | 507 | 3 758 | 13.5 |
| 4.0 | 8.8 | 2 954 | 380 | 3 334 | 11.4 |
| | 9.8g/ | | 461 | 3 415 | 13.5 |
| 3.5 | 8.8 | 2 683 | 380 | 3 063 | 12.4 |
| | 9.1g/ | | 419 | 3 102 | 13.5 |
| 3.0 | 8.8 | 2 435 | 380 | 2 815 | 13.5 |

a/ Excluding China, Mongolia, Democratic People's Republic of Korea and Socialist Republic of Vietnam.

b/ Gross domestic product at market prices in 1970 dollars, at average import and export exchange rates; in the case of centrally-planned economies, at the "special" official exchange rate. For further details see CEPAL, Crecimiento económico industrial del mundo y regiones desde 1950 hasta 1977 (E/CEPAL/L.231).

c/ CEPAL, op.cit..

d/ Preliminary estimates.

e/ Trend for 1950-1977 (see CEPAL, op.cit.). The remaining scenarios for the world, excluding Latin America and the Caribbean mainly correspond roughly to those prepared by various specialists and international organizations.

f/ Normative scenario for 1980-2000. This scenario refers to 19 Latin American countries, but it is estimated that the Caribbean could be included without too significant changes. The 8.8% rate was calculated by rounding the exact rate of 8.75% as the average for the next 20 year.

g/ Industrial growth rate necessary to achieve the 13.5% of world industrial production by the year 2000 in each of the scenarios for the world excluding Latin America and the Caribbean. For each scenario it is given second, except in the last where it coincides with that of the normative scenario for Latin America.

/of 11.7%

of 11.7% annually between 1930 and 2000. However, no prospective analysis assumes that the long-term trend scenario is viable for the world, and all of them are set below, and sometimes well below, manufacturing growth rates in recent decades. Thus, the industrial scenarios for the world excluding Latin America which are most frequently mentioned as probable suggest industrial growth of 4 or 4.5% annually. In these circumstances, the region's manufacturing sector would have to grow at rates of between 9.8 and 10.3% annually to achieve the 13.5% target for the year 2000. Only in the most unfavourable (3% annually) scenario for the world excluding Latin America would the target be attained in the normative regional scenario (average annual industrial growth of 8.8%).

In any event, it must be recognized, or at least suggested, that not every possible Latin American economic and industrial growth rate is compatible with the growth rates of the rest of the world, as the external sector (particularly exports) is one of the decisive elements for the region. Nevertheless, in this connexion it must be borne in mind that just as in the past the region's growth became more autonomous as a result of industrialization, it may continue to do so in the future, especially if more profound industrialization policies are implemented and regional co-operation develops as suggested in the preceding chapter.

### 3. Industrial structure and potential

By the year 2000, according to the normative scenario, Latin America's population will be almost 70% greater than that of Western Europe at the end of the 1970s, and its economy should be some 20% larger. The degree of industrialization achieved by the region should be the same as that of Western Europe in 1977, although the per capita product will be 30% lower. The comparison with Eastern Europe is very similar (see table 3).

An analysis of this kind is useful because, from the standpoint of the regional economy, in the forthcoming two decades its industrial situation could become as advanced as the industry of Western or Eastern Europe if certain conditions obtain. As mentioned earlier, two of these are of the utmost importance: high coefficients of mutual trade in manufactures among the countries of the region, and major technological development.

It should be recalled that all the prospective studies in the region stress the external sector bottleneck and the need to increase mutual trade as a means of correcting the disequilibrium with the centres, which implies industrialization patterns which make it possible to alter the structure of manufacturing imports by origin. These patterns give pride of place to the industries whose products have a more elastic demand, such as chemicals and metal manufactures and machinery which is precisely where the main Latin American shortcomings are to be found at present, particularly in the case of intermediate and capital goods.

/Table 3

Table 3

LATIN AMERICA AND THE CARIBBEAN IN THE YEAR 2000 COMPARED WITH EUROPE IN 1977

| Region | Population (millions) | Gross domestic product a/ | | | | Degree of industrialisation (percentage) b/ |
|---|---|---|---|---|---|---|
| | | Total (billions of dollars at 1970 prices) | | Per capita (1970 dollars) | | |
| | | Global | Industrial | Global | Industrial | |
| Latin America and the Caribbean in 2000 c/ | 584d/ | 1 103 | 380 | 1 889 | 651 | 34 |
| Western Europe, 1977 e/ | 346 | 933 | 313 | 2 696 | 906 | 34 |
| Eastern Europe, 1977 e/ | 390 | 962 | 372 | 2 466 | 955 | 39 |

a/ Gross domestic product at market prices (see footnote b/ of table 2).
b/ Percentage relationship of the industrial product over the total product.
c/ Projections according to the data in tables 1 and 2 (normative scenario).
d/ CELADE, Boletín Demográfico No 25, Santiago, Chile, January 1980.
e/ CEPAL, Crecimiento económico industrial del mundo y regiones desde 1950 hasta 1977, (E/CEPAL/L.251).

/Consequently, the

Consequently, the viability of high economic growth rates is linked with changes in the industrial structure tending to boost such manufactures. These changes should help to bring the structure more into line with that of the mature economies, and they are warranted by the economic size which the region will attain during the next 20 years according to the normative scenario.

Nevertheless, as in any event the per capita product will be lower than in those economies at present, and as the region will probably fail to match their technological development and progress in 20 years, it will be difficult for its industrial structure to come to resemble theirs. In addition, the region is characterized by a great wealth and variety of natural resources, creating advantages, inter alia, for the basic and some intermediate industries. In addition, the raising of the internal socio-economic frontiers will in turn strongly stimulate traditional non-durable consumer goods industries as well as durables of the metal products and machinery group, at least during some of the period to the year 2000, on condition, of course, that the corresponding distributive policies are followed. It should also be remembered that these and the basic industries will receive some of the benefits of any future industrial restructuring and redeployment.

Bearing in mind all these elements, it is possible to draw up a tentative picture of the region's industrial structure in 1990 and 2000, in the framework of the normative scenario (see table 4). This picture thus assumes a high level of regional integration, one of whose manifestations will be high mutual trade coefficients, which should in turn signify industrial activity for large markets. These conditions are particularly important for the medium-sized and small countries, whose backwardness in terms of industrial structure is much greater than that of the bigger countries largely precisely because of their limited markets.

## 4. Foreign trade in manufactures

All this is clearly reflected in the projections and illustrative targets for foreign trade in manufactures.

First of all, attention should be drawn to the high growth rates of manufacturing exports projected to 1990 and the year 2000, and the still higher rates for mutual trade among countries of the region (see table 5). This represents a substantial change in external trade in manufactures during the next 20 years. The relative share of intra-regional exports in total manufacturing sales to the world will rise from about 40% to almost 70% in the year 2000. Meanwhile, intra-regional manufacturing imports will rise from 8 or 9% to 50%. In addition, the gap between exports and imports of manufactured products, while rising in absolute terms, will decline as a proportion of such exports from over 300% in 1980 to only 36% in the year 2000. This will tend to remedy one of the region's main foreign trade problems namely, the imbalance in its trade in manufactures with the developed countries. Similarly, dependence on primary exports will be less acute, as the share of manufactures in exports of goods will rise from 17% at present to about 42% in 1990 and 60% in the year 2000 (see table 5).

/Table 4

Table 4

LATIN AMERICAN INDUSTRIAL STRUCTURE IN 1990 AND 2000 IN THE NORMATIVE SCENARIO, COMPARED WITH THAT OF THE DEVELOPED COUNTRIES IN 1977

| Country | Year and period | Manufacturing industry | Non-durable consumer goods industries a/ | Intermediate industries b/ | Metal products, machinery and equipment c/ |
|---|---|---|---|---|---|
| | | A. Percentage structure | | | |
| Developed countries d/ | 1977 | 100 | 21 | 34 | 45 |
| Latin America e/ | 1980f/ | 100 | 39 | 36 | 25 |
| | 1990 | 100 | 32 | 37 | 31 |
| | 2000 | 100 | 23 | 38 | 39 |
| | | B. Annual growth rates | | | |
| Latin America e/ | 1980/1990 | 8.5 | 6.4 | 8.8 | 10.9 |
| | 1990/2000 | 6.0 | 5.4 | 9.3 | 11.5 |
| | 1980/2000 | 8.8 | 5.9 | 9.1 | 11.2 |

a/ Food, beverages and tobacco (Division 31), Textile, wearing apparel and leather industries (Division 32), furniture and fixtures except primarily of metal (Group 332), printing, publishing and allied industries (Group 342), manufactures of pottery, china and earthenware (Group 361) and other manufacturing industries (Division 39), according to the ISIC, Rev. 2.

b/ Wood and cork products, except furniture (Group 331), paper and paper products (Group 341), glass and glass products (Group 362) and other non-metallic mineral products (Group 369); chemical, petroleum, rubber and plastic products (Division 35); basic metal industries (Division 37), according to ISIC, Rev. 2.

c/ Division 38 of ISIC, Rev. 2.

d/ Based on figures from CEPAL, Analysis and prospects of Latin American industrial development (ST/CEPAL/CONF.69/L.2).

e/ See text for projection criteria.

f/ Estimate based on figures from CEPAL, op.cit..

/Table 5

Table 5

LATIN AMERICA[a]: EXPORTS AND IMPORTS OF MANUFACTURES[b], 1975, 1980, 1990 AND 2000
IN THE CONTEXT OF THE NORMATIVE SCENARIO

| | 1975 | 1980[c] | 1990 | 2000 |
|---|---|---|---|---|
| **A. Values (FOB)** | | | | |
| (Billions of US dollars at 1975 prices) | | | | |
| Exports | 6.1 | 10.2 | 55.7 | 178.1 |
| Intraregional | 2.7 | 3.8 | 30.0 | 120.8 |
| To rest of world | 3.4 | 6.4 | 25.7 | 57.3 |
| Imports | 35.2 | 41.3 | 103.0 | 242.2 |
| From rest of world | 32.5 | 37.5 | 73.0 | 121.4 |
| Exports-Imports | -29.1 | -31.1 | -47.3 | -64.1 |
| **B. Structure of manufacturing trade** | | | | |
| (Percentages) | | | | |
| Exports | 100.0 | 100.0 | 100.0 | 100.0 |
| Intraregional | 44.3 | 37.3 | 53.9 | 67.8 |
| To rest of world | 55.7 | 62.7 | 46.1 | 32.2 |
| Imports | 577.0 | 404.9 | 184.9 | 136.0 |
| **C. Origin of imports** | | | | |
| (Percentages) | | | | |
| Total imports | 100.0 | 100.0 | 100.0 | 100.0 |
| From the region | 7.7 | 9.2 | 29.1 | 49.9 |
| From rest of world | 92.3 | 90.8 | 70.9 | 50.1 |
| **D. Share of manufactures in total goods** | | | | |
| (Percentages) | | | | |
| Exports | 13.0 | 17.0 | 42.0 | 60.0 |
| Intraregional | 28.0 | 34.0 | 64.0 | 80.0 |
| To rest of world | 9.0 | 14.0 | 30.0 | 39.0 |
| Imports | 60.0 | 62.0 | 66.0 | 71.0 |
| Intraregional | 28.0 | 34.0 | 64.0 | 80.0 |
| From rest of world | 67.0 | 67.0 | 68.0 | 64.0 |

**E. Growth rates**
(Compound annual rates)

| | 1975-1980 | 1980-1990 | 1990-2000 |
|---|---|---|---|
| Exports | 10.8 | 18.5 | 12.3 |
| Intraregional | 7.1 | 23.0 | 14.9 |
| To rest of world | 13.5 | 14.9 | 8.3 |
| Imports | 3.2 | 9.6 | 8.9 |
| From rest of world | 2.9 | 6.9 | 5.2 |

Source: CEPAL, Proyecciones del desarrollo latinoamericano en los años 80, (E/CEPAL/G.115).

a/ Corresponds to "developing America". See CEPAL, op.cit.

b/ SITC sections 5, 6, 7 and 8, excluding chapter 68 (non-ferrous metals).

c/ Estimated by extrapolating the 1975-1978 trends given in CEPAL, op.cit..

/Nevertheless, according

Nevertheless, according to the main hypotheses on the growth of world manufacturing trade (8.0% and 7.6%, or 6.9% and 6.4%, annually during the period 1980-1990 and 1990-2000), Latin American manufacturing exports will account for barely 6.1% or 7.6% in the year 2000 (as opposed to 1.6% at present). Thus, the region would be far short of its target share of the 30% of world manufacturing exports considered desirable for the developing countries by the year 2000 in various international forums. That target has been estimated at 10% or 13%, which means that manufacturing exports in the year 2000 would have to amount to between 250 and nearly 400 billion dollars, according to the performance of world trade.5/ These figures would be much higher if the 30% share were divided up like the 25% target share of world manufacturing production for the developing countries ("Lima Target"), where Latin America is assigned a 13.5% share in the year 2000, as it would mean that the region would account for 16.2% of world manufacturing exports.

In any case, these high export rates would lead to a significant rise in the region's manufacturing export coefficient (manufacturing exports to industrial product), from 8% in 1980 to 19% and 26% in 1990 and the year 2000, respectively.6/ The latter coefficient is significantly high if compared with that of North America in 1970 (13%) or of the centrally-planned economies in 1970 (8%), but still quite low in comparison with that of Western Europe (40%), and similar to that of Japan (35%).7/ Thus, the illustrative targets for Latin American manufacturing exports do not represent an industrialization model particularly directed towards the exterior.

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5/ This calculation is based on the hypotheses on world manufacturing trade and target shares for Latin America made by the CEPAL Economic Projections Centre (unpublished tables). According to these hypotheses, given in the text, world trade in manufactures by the year 2000 will amount to US$ 2,350 or US$ 2,920 billion at 1975 prices. In 1975 the trade amounted to US$ 492 billion and in 1980 to US$ 649 billion (see UNCTAD, Handbook of International Trade and Development Statistics, 1977). The calculation for 1980 is based on a 5.7% rate adopted by the Economic Projections Centre.

6/ Calculated on the basis of values at 1975 prices of both manufacturing exports (FOB) and of the industrial gross domestic product at market prices. The export figures appear in table 5 and the product figures in CEPAL, Proyecciones del Desarrollo Latinoamericano en los Años 80 (E/CEPAL/G.1158). The manufacturing product at factor cost and 1975 prices given in that publication is US$ 111.3, 252.2 and 595.6 billion in 1980, 1990 and 2000 respectively. To raise the values to market prices they must be multiplied by 1.15, the factor representing the Latin American average.

7/ CEPAL, Analysis and prospects of Latin American industrial development (ST/CEPAL/CONF.69/L.?).

/Manufacturing imports

Manufacturing imports will grow at a relatively moderate rate (see table 5) so that the corresponding coefficient (value of manufacturing imports over manufacturing products) will tend to rise somewhat: 32% in 1980 and slightly over 35% and in the year 2000.8/ Thus, the region would fall among the economies considered more "open" to manufacturing imports, such as Western Europe (coefficient of 32% in 1970), and even more so in contrast with the more "closed" economies such as North America (12% in 1970), the centrally-planned economies (9%) or Japan (6%).9/ Consequently, the feature of the Latin American "model" which consists in large-scale imports of manufactures would be retained during the next 20 years, but be accompanied by active manufacturing exports, particularly in reciprocal intra-regional trade.

In this connexion it should be stressed that, besides the growing rate of mutual manufacturing trade, the composition of exports of manufactures will have to change significantly in line with the structural changes in the sector. The corresponding projections and illustrative targets (see table 6) highlight the greater dynamism of exports of machinery and transport equipment, particularly in reciprocal trade, in the context of the above-mentioned co-operation and integration needed to underpin the structural improvement of industry. This may be seen all the more clearly when examining the changes in the origin of total imports of manufactures and particularly of machinery and transport equipment. It is calculated that whereas 95% of imports of these products came from the rest of the world in 1975, and essentially from the developed countries, by the year 2000 50% should be accounted for by intra-regional trade, supporting the development achieved in intermediate manufactures and particularly capital goods.

As mentioned earlier, the changes in external manufacturing trade will be profound; however, even by the year 2000 imports from the rest of the world, mostly from the developed centres, and particularly in the case of machinery and transport equipment (which accounts for 67% of the deficit in manufacturing trade with the rest of the world) will remain considerable: 50%. This is in keeping with the constraints foreseen in connexion with local technological development and with the region's insistence on incorporating the innovations made in the centres. As mentioned elsewhere, this means that in the next 20 years the structure of industrial production will not acquire the characteristics of the mature economies, although it will grow considerably closer to them.

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8/ The calculation is similar to that of export coefficients and draws on the same sources (see footnote 5).

9/ CEPAL, op. cit.

/Table 6

Table 6

LATIN AMERICA[a/]: EXPORTS AND IMPORTS OF MANUFACTURES BY TWO TYPES OF PRODUCTS AND BY DESTINATION AND ORIGIN IN THE CONTEXT OF THE NORMATIVE SCENARIO

| Products | 1975 | | | 1980[b/] | | | 1990 | | | 2000 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | Intra-regional | Rest of world | Total | Intra-regional | Rest of world | Total | Intra-regional | Rest of world | Total | Intra-regional | Rest of world |
| **A. Value (FOB)** (Billions of US dollars at 1975 prices) | | | | | | | | | | | | |
| **Exports** | 6.1 | 2.7 | 3.4 | 10.2 | 3.8 | 6.4 | 55.7 | 30.0 | 25.7 | 178.1 | 120.8 | 57.3 |
| Machinery and transport equipment [c/] | 1.7 | 1.0 | 0.7 | 2.6 | 1.2 | 1.4 | 21.7 | 13.3 | 8.4 | 91.0 | 66.8 | 24.2 |
| Other manufactures [d/] | 4.4 | 1.7 | 2.7 | 7.6 | 2.6 | 5.0 | 34.0 | 16.7 | 17.3 | 87.1 | 54.0 | 33.1 |
| **Imports** | 35.2 | 2.7 | 32.5 | 41.3 | 3.8 | 37.5 | 103.0 | 30.0 | 73.0 | 242.2 | 120.8 | 121.4 |
| Machinery and transport equipment | 19.5 | 1.0 | 18.5 | 21.6 | 1.2 | 20.4 | 56.3 | 13.3 | 43.0 | 133.8 | 66.8 | 67.0 |
| Other manufactures | 15.7 | 1.7 | 14.0 | 19.7 | 2.6 | 17.1 | 46.7 | 16.7 | 30.0 | 108.4 | 54.0 | 54.4 |
| **B. Structure by products** (Percentages) | | | | | | | | | | | | |
| **Exports** | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Machinery and transport equipment | 28.0 | 37.0 | 21.0 | 26.0 | 32.0 | 22.0 | 39.0 | 44.0 | 33.0 | 51.0 | 55.0 | 42.0 |
| Other manufactures | 72.0 | 63.0 | 79.0 | 74.0 | 68.0 | 78.0 | 61.0 | 56.0 | 67.0 | 49.0 | 45.0 | 58.0 |
| **Imports** | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Machinery and transport equipment | 55.0 | 37.0 | 57.0 | 52.0 | 32.0 | 54.0 | 55.0 | 44.0 | 59.0 | 55.0 | 55.0 | 55.0 |
| Other manufactures | 45.0 | 63.0 | 43.0 | 48.0 | 68.0 | 46.0 | 45.0 | 56.0 | 41.0 | 45.0 | 45.0 | 45.0 |
| **C. Structure by destination and origin** (Percentages) | | | | | | | | | | | | |
| **Exports** | 100.0 | 44.0 | 56.0 | 100.0 | 37.0 | 63.0 | 100.0 | 54.0 | 46.0 | 100.0 | 68.0 | 32.0 |
| Machinery and transport equipment | 100.0 | 59.0 | 41.0 | 100.0 | 46.0 | 54.0 | 100.0 | 61.0 | 39.0 | 100.0 | 73.0 | 27.0 |
| Other manufactures | 100.0 | 39.0 | 61.0 | 100.0 | 34.0 | 66.0 | 100.0 | 49.0 | 51.0 | 100.0 | 62.0 | 38.0 |
| **Imports** | 100.0 | 8.0 | 92.0 | 100.0 | 9.0 | 91.0 | 100.0 | 29.0 | 71.0 | 100.0 | 50.0 | 50.0 |
| Machinery and transport equipment | 100.0 | 5.0 | 95.0 | 100.0 | 6.0 | 94.0 | 100.0 | 24.0 | 76.0 | 100.0 | 50.0 | 50.0 |
| Other manufactures | 100.0 | 11.0 | 89.0 | 100.0 | 13.0 | 87.0 | 100.0 | 36.0 | 64.0 | 100.0 | 50.0 | 50.0 |

**D. Growth rates 1980-2000** (Compound annual percentages)

| | Total | Intraregional | Rest of world |
|---|---|---|---|
| **Exports** | 15.4 | 18.9 | 11.6 |
| Machinery and transport equipment | 19.5 | 22.2 | 15.3 |
| Other manufactures | 13.0 | 16.4 | 9.9 |
| **Imports** | 9.2 | 18.8 | 6.0 |
| Machinery and transport equipment | 9.5 | 22.2 | 6.1 |
| Other manufactures | 8.9 | 16.4 | 6.0 |

Source: CEPAL, Proyecciones del desarrollo latinoamericano en los años 80, (E/CEPAL/G.1158).

a/ Corresponds to "developing America". See CEPAL, op.cit..

b/ Estimated by extrapolating the 1975-1978 trends established in CEPAL, op.cit..

c/ SITC section 7.

d/ SITC sections 5, 6 and 8, excluding chapter 68 (non-ferrous metals).

## IV. IMPLEMENTATION OF INDUSTRIAL POLICY

### 1. Intra-regional co-operation

#### (a) Need for intra-regional co-operation

The foregoing pages have emphasized the fact that the implementation of the industrial policy proposed for the region and expressed in the relevant objectives and goals largely depends upon regional co-operation and integration. The reasons for this are basically: the need to develop collective efforts in intra-regional trade in manufactures, technology and research and development, Latin American transnational and multinational corporations, agreement on industrial policy among the countries, and the use of collective negotiating power and of common positions, including on various matters relating to the establishment of a New International Economic Order.

All of these elements have been mentioned often in many regional agreements, as well as those between Latin America itself and the rest of the Third World. At the regional level, the most recent agreements are those adopted within CEPAL in the La Paz Evaluation of early 1979 and at the Latin American Industrialization Conference in Cali, Colombia, in September of that year. These topics have also been discussed within SELA and mentioned in the various integration agreements.

In connexion with these matters, ideas on the special treatment which co-operation systems should grant to the least developed, land-locked and insular countries have steadily been taking shape in the region. These are mainly small countries which often are incapable of taking full advantage of general co-operation measures and policies, so that methods of preventing their relative position from further deteriorating are necessary. These concepts, which of course apply to all forms of international co-operation, have surfaced at the regional level more and more insistently and, as is well-known, have been included in integration agreements by various types of special clauses.

Aside from transport and other aspects of infrastructure, the subjects of co-operation which have most actively been considered and proposed for the future for this type of country are: privileges under concerted industrial planning, trade clauses, technical assistance and training, Latin American multinational corporations, investments from other countries, Latin American technology transfers and financial assistance. Keeping previous experience in mind, an objective position has been reached which recommends the intensification of future action in these shperes within the framework of indigenous and collective efforts over the long term.

#### (b) Intra-regional trade in manufactures

One form of co-operation is the intensification of intra-regional trade in manufactures, especially those whose production must be large scale to be efficient. It is not solely a question of intra-regional

/trade and

trade and preferences, however, for if it were so, the least industrialized countries of the region would assume a peripheral role in relation to those most advanced in their industrial development. This pattern is already noticeable in intra-regional trade in manufactures when one looks at the trade of the small and medium-sized countries with the three largest, a situation which attempts are being made to correct at the international level precisely through the establishment of the New International Economic Order.

Thus, co-operation through trade should follow rules which would ensure that all countries be able to contribute to industrial development. The schema would have to include intra-sectoral specialization and complementarity, as is the case to some extent with the integration agreements achieved in the region and the negotiations on some industries, such as those of fertilizers, within SELA.

This form of co-operation should be linked to the general objectives of industrialization and the various goals set by the countries in accordance with their industrial potential and needs, as noted above. Properly oriented intra-regional trade in manufactures could thus be defined as one of the instruments to be used for industrial development in the region and one of the measures for correcting the broad industrial heterogeneity among the countries which exists or is increasing. On the one hand, it must be recalled that for the medium- and long-term future, structural corrections which generally require large markets, more complex technologies, critical amounts of capital, etc., as well as many basic, intermediate and capital industries are involved. On the other hand, we must note that the smaller their national markets, the more urgently the countries need to expand their industrial operations into international markets, especially at the regional level, where they can find adequate advantages for choosing advanced industrial development.

Thus, and as the governments have been suggesting in international forums, stress must be placed on mobilizing integration processes and linking or combining them, without prejudice to the informal or bilateral co-operation which has been expanding, notably at the regional level.

It is implicit in these proposals that intra-regional trade as an instrument of industrial progress in the region and the corresponding improvement of the efficiency of countries of all sizes should not be conceived solely within the context of liberalizing the regional market in order to create a competitive environment and its respective benefits; it should also be viewed within the framework of complementarity and concerted industrial policy in which inherent concepts prevail over comparative advantages, especially in the most dynamic version, as will be discussed later.

Naturally, intra-regional trade in manufactures will have to be based on technological development involving the adoption of suitable and strict instruments for quality control, which is an indispensable condition for

/making the

making the proposed objectives viable. Failing this, and as past experience has persistently shown, the vast majority of the region's imports of manufactures will continue to come from the developed countries.

Finally, we must stress that the region will need special treatment in order to achieve the proposed goals and create comparative advantages in more complex and highly technical industries, in accordance with the illustrative structural targets mentioned above, as well as to safeguard employment and salary levels, preserving the mature, labour-intensive industries. In this regard, one must recall that one of the most critical social problems in the region is, in fact, open and disguised unemployment.

(c) Technological development

For the above reasons, technological development is another of the most important industrial policy instruments being proposed for the region in the medium- and long-term. This development includes not only the incorporation of the technical progress of the centres, which make innovations in the type and quality of manufactured goods or forms of producing them, but above all, and beyond the natural apprenticeship process, a greater ability to select and procedures for autonomous adaptation, design and creation, within the framework of industrial objectives and economic and social development problems and the characteristics of the region and the countries, including their supply of natural resources and the need to enrich them through industry.

All of these items also figure quite frequently in the industrialist proposals of the Latin American governments in international forums, although in most cases their remarks refer primarily to transfers of technology from the central economies. We shall attempt here, however, to stress the various aspects of intra-regional technological co-operation.

Firstly, the importance of intra-regional transfers of technology and the exchange of technical assistance is noteworthy. These items have been acquiring some degree of relevance, especially for the large and most industrialized countries. It is a matter of expanding and improving the necessary machinery so as to make broader use of the various facets of regional technological progress, and above all to allow the respective indigenous efforts to be made on an adequate scale, especially in specific and critical sectors.

With regard to the ability to select, the regional and subregional technological information centres could play an outstanding role, especially if they were linked to international and national centres, the precedent for which is the Latin American Technological Information Network (RITLA). Furthermore, they are extremely helpful in generating appropriate attitudes among employers, who often reject engineering studies on this subject, even those made by transnational corporations which primarily act in accordance with the opportunity cost of their own technology.

/The ability

The ability to process, design and create technology is a much more serious matter, especially if one recalls past experience which shows that, with noteworthy exceptions, autonomous innovations have generally been inferior and in most cases have arisen from the natural apprenticeship process in plant engineering. This has taken place primarily in the largest and most industrialized countries, which have even developed a certain capacity to generate indigenous, complementary knowledge.

In these respects the regional and subregional technological development centres could play a relevant role, even in collaboration with the national centres, which would facilitate exchanging information, determining technological needs, applying training programmes in this field, and above all, expanding joint research and development efforts in priority areas and those of common interest for two or more countries.

(d) Latin American transnational and multinational corporations

In addition to formal co-operation schemes, we know that there are other manifestations of Latin American industrial co-operation among countries of the region in terms of limited, specific actions. These actions, which have somewhat offset the relative weakening of the formal integration machinery, have acquired noteworthy momentum in recent years due to a growing current of intra-area investments or those made by one country's corporations in other countries (Latin American transnational corporations) in the industrial field, and also due to transfers of technology from those countries whose industrialization processes are most developed to others with a relatively lower level of development. Thus, it might be useful to strengthen and expand these interrelations, which are generally bilateral, especially in the industrial field, since they ably complement the co-operation efforts being made within the famework of formal integration schemes.

The intensification by Latin American countries of their collective efforts to establish and expand multinational industries, in which there are a great many promising experiments based on the use of local resources, could be another suitable means of making regional co-operation effective and distributing the benefits derived from it equitably among the countries participating.

With regard to these points, one must use the same type of precaution which has been applied to codes of conduct for transnational corporations and transfers of technology from the developed centres, an increasingly outstanding one being the harmonization of these investments with the above-mentioned industrialization objectives. It must likewise be kept in mind that, as experience shows, the investments in question correspond fairly frequently to the activities of the branches of non-Latin American transnational corporations and follow their overall policy. This implies that more attention must be paid to the above-mentioned precautions and that they should be linked to the codes of conduct being studied within the framework of the New International Economic Order.

/(e) Agreements

(e) Agreements

As a fundamental tenet of the industrial policy being proposed, intra-regional co-operation and integration in the field of manufactures imply a high degree of agreement among the countries, especially when one looks at the industrialization objectives in the most complex, difficult and demanding areas such as intermediate and capital goods and the reduction of industrial heterogeneity among countries whose methods are most specialized, but which have the smallest national markets. All of this implies that the degree of industrial complementarity must be increased substantially and that industrial policies must be harmonized, as the agreements of the Andean Group and the Central American Common Market, for example, have established.

A typical and especially important point involves capital goods industries, the development of which, while difficult for large countries, presents serious problems for medium-sized nations and is practically impossible for small ones if solely national scales are involved. It should be recalled that the industrial policy we are proposing stresses intra-regional production of and trade in capital goods as one of the fundamental aspects of the manufacturing sector's responsibility with respect to economic and social development and the corresponding targets for 1990 and the year 2000. Given this situation, agreement and complementarity are indispensable in this field and are relatively easier to achieve than in other branches, since the public sector is the principal acquirer of capital goods, especially heavy and basic capital goods, in the countries of the region. However, it is not merely a matter of agreement on production and exchange, since aside from the question of the corresponding technological development there is the financial problem, credit being an important element in sales of capital goods, especially those of heavy and basic capital goods. Here is another aspect in which intra-regional co-operation could play a decisive role.

The need for industrial agreement on a regional or subregional scale arises from the need to use joint negotiating power and to adopt common positions, which makes it necessary to clarify approaches to industrialization policy in terms of specific objectives at the regional, subregional and national levels. Otherwise, the negotiations will lack a sufficiently clear framework, and the countries, adequate solidarity.

Furthermore, in the long term agreement must be considered on the basis of policies expressing much more specific objectives than those which can be included in a document such as this one. Among other reasons, this is because it is primarily the countries with the smallest markets and the lowest level of industrialization at present which will have to work to create somewhat specialized comparative advantages, for which the existence of a long-term framework within the regional market or the subregional and national markets of other countries in the region will be decisive. The long-term approach must also deal with the problem of external instability or vulnerability, which grows in inverse proportion

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to the size of domestic markets, since the smaller the size, the larger the manufactured export coefficient tends to be, so that industrial development, above all in the most advanced areas, is linked even more closely to external markets. In this connexion, intra-regional and intra-subregional agreements will have to play a decisive role in order to soften the negative impact of extra-regional economic vicissitudes, a role which the previous industrialization had played to some extent as a result of the crisis in the centres with developed market economies, which began in 1973/1974 and coincided with the rise in petroleum prices.

(f) Collective negotiating power and common positions

In terms of intra-regional and intra-subregional co-operation, the need to use the significant power of joint negotiations stands out, since the implementation of the industrial policy being discussed here will to some extent be linked to external factors and the behaviour of transnational agents. We know that this power is largely rooted in the region's importance as a market whose imports of manufactures will surely continue to grow relatively rapidly, despite the increased autonomy inherent in industrialization. This market is of special interest to transnational corporations and is a main drawing card for them.

Thus, it seems essential to insist that common positions should be adopted in the negotiations with the central countries and regarding the rules governing transnational corporations; for these corporations, regional and subregional integration will be even more attractive, since it will allow them to operate in large markets and spread themselves more widely among the various types of countries. On one side are common positions adopted in international negotiations with the centres, for example with regard to protectionism and access to their markets, industrial redeployment and transfers of technology. On the other are those relating to the behaviour of transnational corporations, for example with respect to their exaggerated tendency to import, restrictive trade practices and lack of interest in exports, financial transfers abroad and the need to incorporate technology, engineering and research and development into the host countries.

One outstanding aspect which must be kept in mind in connexion with collective negotiating power is that if it is based upon the purchasing power of the regional market's manufactures and is expected really to work, not only common positions but also alternative suppliers will be needed to link the centres themsleves and other regions and countries. One of the alternative suppliers is the region itself, in the extent to which industrialization and technological progress proceed; as far as transnational corporations are concerned, an alternative to them is public and private national corporations, the promotion of which may be considered imperative. The power to negotiate internationally and to prosecute transnational corporations would thus be increased; otherwise, this power would be highly theoretical and have less of a practical impact.

/2. Ties

## 2. Ties with the central economies

### (a) World economic reordering

In accordance with the economic and social development policy that has been defined, the region will continue to be closely tied to the central economies but will search for new forms of interacting with them, including ways of entering the world economy, within the framework of the ideas about the establishment of a New International Economic Order. The importance of relations with the central economies will continue to be decisive, although the industrial policy defined in previous chapters will mean an increase in the degree of autonomy, not only with respect to the dynamics of economic growth (as demonstrated by past experience), but also in such matters as trade in manufactures favouring reciprocal exchanges among the countries of the region and the technological and entrepreneurial development inherent in more advanced industrial positions.

The ideas of the New International Economic Order centre upon the notion that the developed economies, including the CMEA countries, would eliminate the barriers preventing the full use of the potential of the developing countries, and would try to set up means of co-operation which would benefit the latter countries and likewise facilitate the economic revival of the centres. More specifically with respect to industry, the most outstanding ideas relate to trade in manufactures, which is hindered by the direct and indirect protectionism of the centres; industrial restructuring and redeployment on the basis of the comparative advantages of the centres and the peripheries; transfers of technology by equitable means; and the behaviour of transnational corporations.

All these aspects, inter alia, have been considered intensively in international forums, especially since the creation of UNCTAD and UNIDO, the latter being specifically directed at industry. At the regional level, and principally within CEPAL and SELA, special emphasis has been given to analysing them, and they appear in many analytical documents and the official agreements of the governments.

### (b) Trade in manufactures with the centres

The region and especially the most industrialized countries have acquired comparative advantages and the ability to compete in important traditional branches of industry and in some activities in a technologically more complex category. These situations have not been fully integrated into international trade, however, due to the direct and indirect protectionism of the centres, which began long ago and currently seems to be intensifying, primarily as a result of the crisis which began in 1973/1974.

The region thus has some ability to face the problems of asymmetry in trade with the centres, an ability which, according to the industrial policy we have defined, will tend to increase substantially and supplement the currently competitive branches with others in which international trade is more dynamic, such as many chemical and metal products and machinery branches.

/The asymmetry

The asymmetry tends to be centred, moreover, on the imbalance which is caused by exporting manufactures with low elasticity of demand and importing from the centres industrial products with high elasticity. But these objectives require not only the industrialization process described, but also the removal of the commercial barriers which the centres build against manufactured exports from the region.

(c) Industrial redeployment

For some time, and especially as a result of the Second General Conference of UNIDO, industrial redeployment has been being proposed systematically and decisively as an effort of international co-operation to achieve the location in the developing countries of the capacity for manufacturing aimed at the central markets, the world in general and the domestic markets of the developing countries themselves. This strategy is proposed together with the industrial restructuring or reconversion of the centres, through which the latter would devote greater efforts to the spearhead and more technical branches, while in the periphery, the ability to compete of branches with advantages based on the abundance of labour and natural and energy resources would be exploited. Thus, it is a question of new patterns in the international division of labour connected with the adjustment in world industry which was analysed in preceding pages

These general ideas may be found in the region, but they are accompanied by policies aimed at achieving the industrialization objectives in accordance with the priorities of the countries, which include complex branches of technology in fields such as intermediate and capital industry as well as the national, subregional or regional integration of the production processes; objectives relating to the incorporation and dissemination of technology imported for activities arising from redeployment are also proposed. Simultaneously, precautions are formulated regarding natural resources and the environment and the behaviour of transnational corporations, in addition to a policy designed to favour the participation of national enterprises.

Redeployment as proposed implies a high level of agreement, which to a large extent is furnished by UNIDO's System of Consultations. Thus, redeployment is part of the industrial policy of the region and the countries, stressing foreign trade in manufactures and the corresponding exports to central markets. It is also proposed within the framework of international co-operation in financial, technological and entrepreneurial matters.

Although as an instrument for readjusting world industry, redeployment to benefit the region cannot be conceived as the essence of industrialization, it is one of the points concerning which it would be advisable to adopt common positions and to use joint negotiating power in order to adapt it to the objectives described above, naturally taking account of the diversity of the countries and their differing industrial situations. In this connexion, it should be recalled that the Latin American and Caribbean governments have taken positions similar to the one described here, both in international forums and at the most recent regional meetings.

/(d) Technology

(d) Technology

Transfers of technology from the centres are one of the most important topics in the negotiations on international co-operation for the region's industrial development for obvious reasons, noteworthy among which are the extreme slowness of autonomous technological development and the fact that industrialization as proposed requires rapid technological progress and simultaneously completes the manufacturing structure, including the most complex branches, especially in the intermediate and capital fields.

The negotiations are generally oriented towards reviewing the machinery of the Convention of Paris for the Protection of Industrial Property and preventing abusive practices, eliminating restrictive and disloyal practices in the transfer of technology, obtaining assistance in order to strengthen autonomous technological capacity, broadly expanding international flows of technology on equitable terms for the receiving countries, obtaining technical co-operation connected with redeployment, inducing transnational corporations to act positively, and preventing reverse transfer of technology and the exodus of qualified personnel towards the developed countries. Most of these points are brought up in the negotiations on a code of conduct for the transfer of technology and the behaviour of transnational corporations.

(e) Transnational corporations

As has been noted in other chapters, the transnationalization which characterizes the industrial development model of most countries in the region and its future-oriented dynamics, as well as the practices of transnational corporations which do not always coincide with the social and economic development objectives of the host countries, have led Latin American governments to initiate negotiations on the establishment of a code of conduct for these corporations.

Some central aspects of the discussions of this code are the region's hope that transnational corporations will allow themselves to be governed by the rules, regulations and exclusive jurisdiction of the host country, abstain from any interference in internal affairs, international relations and the foreign policy of the countries where they establish branches, respect national sovereignty over natural and economic resources, submit to national policies, objectives and priorities, provide information on their activities, make net contributions of financial resources, contribute to the development of the country's scientific and technological capacity, and abstain from restrictive commercial practices.

The industrial policy proposed here for the medium- and long-term supplements these concerns with some important specifications, noteworthy among which are the need for the corporations in question to be oriented towards the structural targets of production of and foreign trade in manufactures which, naturally, coincide up to a certain point.

/With regard

With regard to structure, it is felt that these corporations should participate in efforts to achieve the national, subregional and regional integration of the production processes through the linking of the production of final, intermediate and capital goods. On the one hand, this means reducing the heavy reliance on imports from the centres which generally characterizes these corporations, and on the other, in addition to increasing their generally low interest in exporting, inducing them to operate in subregional markets and the regional market in the spirit of industrial complementarity, and often specialization, among the countries, as foreseen in the policy proposed here.

The advisability of regulating the transnationalization process itself may also be mentioned, since it is inconceivable that this process should be allowed to continue to the point of exaggerated industrial denationalization. In this respect, some ideas regarding Latin American corporations and the promotion of national enterprises (including mixed corporations) have already been proposed. Thus, we may state that in most cases there are various entrepreneurial options which must be reviewed in each case, including those which involve "untying the package", meaning what happens when a branch of a transnational corporation occasionally provides capital, technology, know-how, entrepreneurial ability, external markets or knowledge thereof and an understanding of commercial machinery.

### 3. Ties with the rest of the Third World

The problems which the region's industrial development must overcome are similar to those of the rest of the Third World countries, especially those connected with relationships with developed countries. Greater awareness has thus been developing of the possibility that horizontal co-operation could be expanded far beyond the political agreements made in international forums without there being a contradiction between the promotion of development based on self-sufficiency and increased use of domestic resources and contributions to the establishment of a New International Economic Order. Thus, it is hoped that co-operation will assist in obtaining a collective ability to take advantage of indigenous methods and of the complementary nature of developing economies.

It is apparently a matter of establishing industrial policies making it possible to exchange and share experiences in industrialization, technology and other matters, as well as increasing the exchange of industrial products among Third World countries, taking advantage of complementary areas.

In short, joint progress is proposed for aspects such as: developing of human resources and exchanging experience and know-how in the fields of industrialization, technology, negotiations with transnational corporations and treatment of foreign investments; achieving long-term production agreements and promoting producers' associations in and among the developing countries; strengthening the institutions responsible for promoting horizontal co-operation and carrying out consultations and co-ordination activities; creating multinational corporations in the fields of the marketing and

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production of semi-manufactured and manufactured goods; co-operation and agreements on the transfer of technology and technological development, including initiatives such as the Industrial and Technological Information Bank (INTIB) and others which promote the horizontal exchange and development of appropriate technologies; co-operation among State commercial organizations and the establishment of global preference schemes among the developing countries; and co-operation in the financial field with respect to flows of capital among the developing countries, insurance and reinsurance of merchandise in international trade, export credits and guarantees, etc.

## 4. Principal national approaches

### (a) Industrial orientation

In order to apply this industrial policy and achieve its targets, the countries will have to consider the need to establish industrial priorities and programmes to allow the promotion and support equipment to be managed adequately. This means overcoming industrial backwardness, transforming the production structures to include more complex branches and improve technological interrelations, exporting manufactured goods including those which are most dynamic in international markets and have the greatest technological content, making progress in autonomous technological development, etc.

The problem may also be considered from the point of view of intra-regional co-operation which, as has been noted, should be approached in accordance with the industrialization objectives. Thus, and if regional co-operation is to be a concerted effort, it is almost a prerequisite to clarify the industrial orientation at the national level, since otherwise the relevant negotiations, especially in specific industrial areas, would lack support bases, as would those designed to discover ways of achieving co-operative relations with the developed economies and the rest of the Third World.

### (b) Promotion and support

The industrial targets proposed by way of illustration are not easy to reach, nor may it be expected that they will spontaneously be achieved by the mere play of the market forces. We should recall that in many respects, what is involved is the correction of stubborn tendencies which have been noticeable for many decades. It is not only a question of increasing the pace of industrial expansion, which will largely depend upon the general socio-economic policy and on overall growth, but also of making profound changes in Latin American industrialization methods and those of the different countries in the region. It is therefore obvious that a great variety of promotion and support instruments must be mobilized. Many countries of the region have extensive experience in the administration of industrial policy and the corresponding institutional arrangements, so that in general it would be a question of making certain adjustments in order to face new and extremely difficult challenges. Although the countries

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remain somewhat heterogeneous regarding this point and the appropriate political approaches, basically no especially serious problems are envisioned, as long as the industrialization objectives are adopted clearly and deliberately.

As previous s udies show, industrial expansion is greatly influenced by increases in the domestic demand for manufactures when the nature of the respective domestic supply is suitable. It has been stated that for this reason, general socio-economic policy is decisive. On the side of demand, for example, the monetary, distributive, remunerations, public expenditure and general taxing and pricing policies play a role; on the side of supply, instruments such as capital and credit markets, the exchange rate, duties, tariffs and the availability of infrastructure and external economies are involved.

Nevertheless, a wide range of industries can run up against specific obstacles to their development, so that these instruments with generalized and widespread effects must be supplemented by consideration of instruments with specific effects in accordance with the industrial policy.

Firstly, it must be stressed that the general socio-economic development policy proposed here involves a rapid growth in per capita income, together with a policy aimed at improving the pattern of distribution. In this event, many consumer goods industries would find themselves overwhelmed with demand, so that in order to avoid responding simply with increases in prices or external supply, especially when the relevant investments require longer time periods, efforts would be made to monitor the process and provide specific measures in good time. Here we must stress that in general, Latin American industry has technological capacity in consumer branches and fairly extensive capabilities in the non-durable branches. Likewise, in many of these branches it has acquired the ability to compete in international markets. Thus, it may be expected that the problems which the industries in question will face should not be unduly complex.

A very different situa on prevails in many intermediate and especially capital goods branches. Noteworthy among the former are basic industries, whose development will perhaps continue to require direct State action, as demonstrated very clearly by longstanding Latin American experience. These and other intermediate industries would be sharply affected by promotion by the State or through State activity of dynamic activities which have a stimulative effect through their backward-leading technological chains. At all events, the gap in this field indicates that a fair number of instruments will have to be mobilized together from specific and differing positions (financing, duties, tariffs, taxation, external economies, proposals for programmes and projects, technical assistance, etc.).

With respect to capital goods the problem can be even more complex, since the transfer of the relevant technology and know-how from abroad is often more difficult, as also is the apprenticeship process involved. Aside from the traditional instruments, of great importance are the purchasing

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policy planned by the public sector, the principal acquirer of capital goods, especially heavy and basic ones, and the establishment of long-term financing systems in order to compete in sales. The usefulness of "untying the packages of foreign technology" for the purpose of choosing those portions which may be produced in the country may also be mentioned. For the same reason, and for training purposes, the participation of local engineers in designing the plants must be insisted upon, as must programmes involving a sequence proceeding from basic manufacturing activities (household appliances, steel fabrication enterprises, etc.) to more complex branches, especially in the least industrialized countries, since some other countries have an industrial infrastructure which is capable of making rapid progress from a relatively high level. This is an important point, since one of the major problems is the lack of experienced labour, especially in terms of middle management and workers, and likewise in terms of design engineering capable of making innovations in areas of greatest importance.

There are many other important aspects relating to industrial production, among which efficiency and quality are noteworthy. To some extent these are important elements of industrial policy, especially since this policy has objectives relating to exports and intensive trade in manufactures among the countries of the region. Insofar as efficiency is concerned, aside from rationalizing production and selecting appropriate techniques, competition within the framework of subregional and regional preferences could play an outstanding role, as could support from infrastructure, basic services and external economies in general, whose defects frequently account for higher costs than in mature economies. With respect to quality, rigorous norms and controls will be decisive, as will technical assistance programmes especially aimed at small and medium-sized industry, where there is usually less technical autonomy. The broadening of the markets involved to encompass rapid general economic expansion, the widespread incorporation of the population into the markets and regional integration and co-operation efforts will furnish conditions so that producers may achieve greater efficiency on more appropriate scales. In this way, the protectionist policy would be softened, and could be centered more on activities considered priorities from many points of view, depending upon the cases, seeking to increase the efficiency and ability to compete through the creation of dynamic comparative advantages.

All of these aspects are especially relevant to intermediate and capital production, since if their efficiency and quality are inadequate they have an adverse effect on other activities and on development in general.

Another aspect which must be noted is connected with the enrichment through industry of natural resources (mineral, agricultural, forest and maritime). There are two points in connexion with this subject which must be considered, aside from industrial promotion per se: programmes for the evaluation and development of these resources and the proposal of this matter in international negotiations, if their subject is exports, within the framework of redeployment (including redeployment among the developing

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countries of Latin America and of other areas) and the New International Economic Order, so that products with the highest possible degree of processing should be those which are exported.

The basic concepts relating to the implementation of industrial policy in other aspects (location, energy, environment, employment) were examined adequately in chapter II.

Finally, one particular aspect of the implementation of industrial policy being discussed should be highlighted: the role which the public sector of the countries should play in intra-regional co-operation. There are various factors at play in this matter, aside from the responsibilities of governments in terms of agreements on the guidelines for industrial co-operation and the establishment of common positions and means of using collective negotiating power. In view of these guidelines, there is not only a wide margin for inter-entrepreneurial activity but also heavy requirements for action on the part of the State and the public sector in general.

For example, in intra-regional trade in manufactures the governments should adapt their import and export policies to the requirements of trade at the subregional and regional levels, establish systems of information on the rules governing this trade and the markets, promote catalogues and fairs, mobilize public opinion to favour subregional and regional co-operation, integration and products, etc. In the sphere of technology and research and development, governments should adjust the relevant policies to the advantages furnished by co-operation, including certain institutional aspects such as participation in information networks and the linking of scientific and technological development centres. They should also promote the exchange of technical assistance and experts and, to mention but a few aspects, adapt their industrial policy, including the operation of public enterprises, to the needs of agreement.

(c) Entrepreneurial policy

This is another very important topic, given certain trends under which national, and especially private enterprises, have in relative terms been losing ground in industry, a trend which is accentuated due to the preferred location of transnational corporations in the spearhead and most dynamic industries. Likewise, it is accentuated when the countries enter more fully into areas which are the subject of the proposed structural changes, including manufactures with high technological content.

It is precisely this content, inter alia, which often leads industrial transnationalization to be proposed as a means of acquiring the necessary technological capacity. One must not assume, however, that the phenomenon of industrial denationalization would continue at a rapid pace in the long run. For this reason, it seems essential to establish entrepreneurial policies which promote and support the development of national enterprises, both public and private, which could handle a growing number of the

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industrialization targets. We should reiterate in this connexion that the development of basic and perhaps other industries requires action by public enterprises, as has occurred in most of the most industrialized countries of the region, and as many governments decided at much earlier and at recent stages. These policies would thus be added to those designed to govern the behaviour of transnational corporations in pursuance of these targets.

It is not only a question of large national enterprises or institutions capable of competing with or replacing transnational corporations, but also of medium-sized and small enterprises which should have outstanding roles and functions in many branches. Naturally, there is a broad range of industrial activities in which technology facilitates efficient operations in medium-sized and small establishments. It must also be recalled that the market always has borderline areas where mass production is not adequate, and where small and medium-sized industries can perform satisfactorily. The geographical disparity of the market in many branches requires decentralized smaller establishments. Agroindustry and rural development likewise offer excellent prospects for the promotion of small and medium-sized enterprises and institutions. Finally, subcontracting and re-exports of parts of reducible processes are another promising direction.

With respect to the application of the necessary policies, the numerous Latin American experiments in which the market sends out inadequate signals or the required entrepreneurial capacity is lacking must be kept in mind. It should also be pointed out that many of the failures of these policies have been largely due to the weak or non-existent ties among the various promotion and support instruments. Thus, for example, instruments connected with financing, infrastructure, technical or commercial assistance or information systems have often been unable to yield significant fruit in promoting small industry when they act separately. This phenomenon is very similar to that which was mentioned in chapter II with respect to the industrial decentralization objectives.

(d) Technological development

One of the most difficult aspects of an industrial policy compatible with the targets considered is autochthonic technological development which, it seems, will not be able to progress significantly in the next 20 years. Nevertheless, steps much more decisive than the small progress made so far should be taken. Certainly, in some countries industrial engineering is fairly well developed and, especially in the large countries, it has even been able to create some complementary knowledge. Nevertheless, examples of truly important or great innovations are few, and the inadequacy of the capacity for design is obvious.

An appropriate policy would begin at the university level and with the revival of scientific and technological values. For the present, however, the State must aim not only at carrying out current activities

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for which it may be responsible in this fied, but also at promoting, sponsoring, financing or contracting research and development in universities, institutes and enterprises. In this context, the treatment of transnational corporations must include the possibility of incorporating engineering in the host countries and even of carrying out research and development activities. All of these actions, as well as those at the national level, must be organized according to definite priorities; this is the only way to reconcile them efficiently with the financial restrictions which will obviously exist.

Difficulties in this field do not lie so much in an intrinsic lack of capacity for scientific and applied research and the corresponding technological development, but rather in the frequent lack of recognition and social estimation of these activities, and of the necessary direct management by the State, such as is available in developed countries of every political colour.